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Nuclear fusion

After Torus perhaps Iter

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United Nations

What kind of future?

Edward Mortimer, Page 12

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Bubbling in Central Asia

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FT Exporter on health products

Separate section

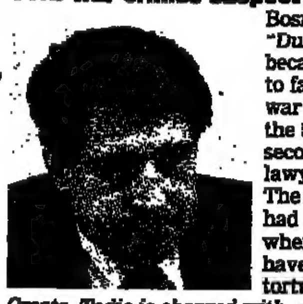
World Business Newspaper

WEDNESDAY MAY 8 1996

Roche hopeful on release of new Aids drug results

The Aids treatment Invirase should become one of the "top drugs" from a series of product launches planned by Roche, the Swiss drugs company, according to the chairman, Fritz Gerber. The company released new data which showed that when used with the company's older Aids drug Hivid, Invirase reduced the rate of Aids deaths "by more than two-thirds" compared with Hivid on its own. The director of the company's pharmaceuticals division, Franz Humer, said he expected Invirase to achieve SFr200m-500m ($160.9m-$402.3m) in annual sales within five years. Page 16

Serb war crimes suspect brought to trial



Bosnian Serb Dusan "Dusko" Tadic (left) became the first person to face an international war crimes tribunal in the 50 years since the second world war. His lawyer told a UN court in The Hague that Tadic had no role in the camps where he is alleged to have killed, raped and tortured Moslems and Croats. Tadic is charged with crimes against non-Serbs at the Omarska, Keraterm and Trnopolje camps in north-west Bosnia in 1992. The trial is expected to last for several months.

UK opposition backs sterling to join Emu: Britain's opposition Labour party took a significant step towards backing sterling's membership of a single currency in 1999, in a robustly pro-European speech by its finance spokesman, Gordon Brown. Page 14

Electrolux down 22% in opening quarter: Electrolux, the world's biggest manufacturer of household appliances, disappointed markets with a 22 per cent fall in first-quarter profits from SKr1.023bn in the first quarter last year to SKr797m ($117m). Page 16; Lex, Page 14

Alitalia may shed 2,000 jobs: Unions and staff at Alitalia, the troubled Italian airline, are bracing themselves for the latest restructuring which could lead to as many as 2,000 job losses, according to a leaked outline plan. Page 16

EU farm ministers warn on trade pacts: EU agriculture ministers warned that the EU's policy on trade liberalisation pacts could undermine the Common Agricultural Policy and called for a more cautious approach to free trade areas. Page 5

Call for separate anti-trust body: Giuliano Amato, the former Italian prime minister and head of the country's anti-trust authority, has backed German proposals to establish an independent European anti-trust body. Page 3

Aid donors agree to new results strategy: Leading aid-donor countries agreed on a new results-oriented strategy designed to focus less on the monetary level of their development assistance and more on the economic and social impact of that aid on poor countries. Page 4

Commerzbank, Germany's third largest commercial bank, aims to lift its return on equity from 8.6 per cent last year to 15 per cent by the end of the century, its chairman, Martin Kohlhaussen said. Page 15

BP posts record first term: British Petroleum's profits lifted 37 per cent in the first quarter with net profits on a replacement cost basis increasing from £461m to £633m ($956m). Page 15

Lloyd's of London was thrown into fresh difficulties after the Securities and Exchange Commission, the US securities regulator, appeared to give a significant boost to US Names seeking legal redress for their losses. Page 14

Daewoo sets aims for Polish offshoots: Daewoo, the South Korean industrial conglomerate, expects to export $1.5bn worth of cars and components a year from its Polish subsidiaries within three years, according to Kim Woo Choong, the group's chairman. Page 5

Coca-Cola & Schweppes Beverages wants to pump up to 360 cu m of water (360,000 litres) a day from its newest water source – 100 metres beneath its north London factory – to use as the main ingredient in Oasis, its upmarket adult soft drink. Page 9; Coca-Cola's investment to double in central Asia, Page 5

Digital Equipment, the US computer group, held the first live "cybercast" news conference on the Internet to introduce new software products and announce the formation of an Internet software business unit. Page 19; Lex, Page 14

Madrid trims rate by ¼-point

Central bank acts cautiously in advance of cost-cutting announcement by government

By Tom Burns in Madrid

The Bank of Spain cut its benchmark interest rate by a quarter-point yesterday, signalling a guarded endorsement of the policies of Mr José María Aznar's new centre-right government.

The new rate of 7.5 per cent, down from 7.75 per cent, was fixed as Mr Aznar, who was sworn in as prime minister at the weekend, held his first cabinet meeting and announced the creation of a budget office to curb public spending.

Analysts said there had been room for a more ambitious cut but that the Bank of Spain, which operates independently of the government, was apparently awaiting details of the government's cost-cutting mini-budget this week.

Any further cut was also likely to depend on April's inflation rate, on which figures will be released next week.

The economic package is aimed at cutting planned spending during the current fiscal year by about Pta200bn although final savings, including reduced civil service costs, could be closer to Pta250bn, 0.4 per cent of gross domestic product.

Mr Francisco Alvarez-Cascos, one of the two deputy prime ministers in the new Popular party government and responsible for Mr Aznar's office, said the rate cut was "prudent and necessary".

It came as the government announced a surprise choice to head the budget office, a new department overseeing all government spending and reporting directly to Mr Aznar.

Mr José Barea, a retired economics professor who held a senior post in the Spanish treasury 30 years ago, was selected for the job.

Mr Barea's appointment suggested that Mr Aznar plans a thorough overhaul of what the liberal wing of the Popular party considers an unsustainable welfare system.

In a controversial research document sponsored by Banco Bilbao Vizcaya, a leading domestic banking group, Mr Barea warned last year of the impending bankruptcy of the state pension scheme unless radical measures were taken to reduce its costs.

Mr Aznar has pledged to keep pensions indexed to inflation and to maintain their purchasing power according to the guidelines laid down by the previous Socialist government.

But in what will be central to the new government's drive to reduce the budget deficit, the prime minister is due to meet trade union leaders next week to negotiate a new framework for social spending.

Mr Cristobal Montoro, a strong believer in fiscal rectitude who was the Popular party's economic spokesman in the previous parliament, was yesterday appointed secretary of state for the economy, one of four junior ministers under Mr Rodrigo Rato, economy, finance and trade minister, who is also a deputy prime minister.

The other senior members of Mr Rato's team are Mr José Folgado, chief economist of the employers' federation, who was appointed secretary of state for the budget; Mr Juan Costa, an accountant and Popular party member of parliament, appointed secretary of state for finance; and fellow MP Mr José Fernández Norniella, a businessman who becomes secretary of state for trade.

Ruling Congress party records worst general election reverse, according to exit polls

India set for hung parliament as Hindu party gains

By Mark Nicholson in New Delhi

The Hindu nationalist Bharatiya Janata party is set to become India's biggest political party after the ruling Congress party recorded its worst ever electoral reverse, according to an exit poll last night.

The poll suggested that the general election which ended yesterday would return a hung parliament. If vote counting in the next couple of days confirms this trend, the BJP is likely to be given an opportunity to form a government.

The poll indicated that the BJP would win 192 seats in the 545-seat Lok Sabha assembly, with Congress falling from 259 in the last parliament to a record low of 142 seats, 13 below its previous worst performance in 1977.

The "social justice" Janata Dal and its leftist allies were seen as winning 134 seats, with 67 won by numerous smaller regional parties and independents. Political analysts said the survey, based on responses from 17,000 voters, was subject to a 10 per cent margin of error.

The BJP has campaigned on a platform of "cultural and economic nationalism". Although it says it welcomes foreign investment in infrastructure and high technology, it would not encourage overseas companies to move into consumer goods or areas of the economy dominated by small local producers.

The exit poll indicated swings nationwide against Congress, which, under the leadership of Mr P.V. Narasimha Rao, has implemented a far-reaching economic liberalisation programme in the past five years. The poll suggested Congress had fared poorly in its previous southern strongholds. It forecast the loss of all but one of 28 seats it held in Tamil Nadu state and suggested Congress would also drop seats in Maharashtra, Andhra Pradesh and Karnataka.

However, the BJP's gains would still leave it 80 seats short of a governing majority. Many analysts believe the party will have difficulty putting together a majority coalition, even though it can count on support from some regional parties.

Though India's president is likely first to ask the biggest party to try to form a government, the strongly secular Congress, together with leftist and social justice parties, is more likely to succeed in forging some form of coalition government.

Should Congress' final tally fall into the range suggested by the

Continued on Page 14

Mother Teresa walks past a line of missionary sisters at a polling station in Calcutta after voting in yesterday's Indian elections Picture: Reuter

China warns US over threat of export sanctions

By Tony Walker in Beijing

China yesterday threatened severe consequences for US business if Washington applied sanctions to Chinese exports to the US over abuses of intellectual property rights.

Mr Shen Guofang, foreign ministry spokesman, said such a step would have a "tremendous detrimental effect on US business interests in China".

"In China, we have a saying: 'to take up a rock and smash one's own foot'," Mr Shen commented, in reference to Washington's recent listing of China on its annual trade offenders list as the worst copyright violator.

Mr Shen's tough language raised new fears of a sanctions war. Washington has threatened to penalise Chinese exports to the US in retaliation for China's alleged failure to implement a 12-month old agreement to curb piracy of US entertainment and information products.

US officials have said they would target up to $2bn worth of imported Chinese goods with tariffs. They say this corresponds to the cost to US business in the past year of Chinese counterfeiting of such items as compact discs and computer software.

Washington had sought to avoid setting a deadline for Chinese compliance with an agreement that it step up its efforts to curb rampant counterfeiting. But Beijing has recently been told it would be useful if stronger action were taken against offenders by the middle of this month.

China insists it has lived up to undertakings reached in a Sino-US agreement in February 1995 to close pirate production lines and strengthen customs procedures against exports of counterfeit goods. US officials say the situation has in some cases become worse.

Figures released this week by the International Federation of the Phonographic Industry (IFPI) tend to support US complaints. The IFPI said nine out of 10 of the 40m CDs made in China last year were illegal copies. China and the US are also at logger-

Continued on Page 14

Patten's MFN appeal, Page 5

Sign of Russian split over expulsion threat in spy row

By Jimmy Burns in London, Bruce Clark in Birmingham and Sander Thoenes in Moscow

The Russian government was in apparent disarray last night over its threats to expel up to nine British diplomats in a spy row, with conflicting signals from the administration.

Britain last night delayed threatened retaliatory action after signs of the split emerged.

The UK foreign secretary, Mr Malcolm Rifkind, welcomed what he claimed were signs that the Russian foreign ministry was trying to defuse the crisis in spite of the continuing hard line of the Russian counter-intelligence agency, the federal security service (FSB).

"We welcome the fact that the Russian government is discussing its concerns with us," said Mr Rifkind in Birmingham, central England, during a European ministerial meeting on defence.

He was speaking after receiving an initial report of a meeting in Moscow yesterday between the UK ambassador Sir Andrew Wood and the Russian foreign minister, Mr Yevgeny Primakov.

Earlier yesterday the FSB linked nine unnamed UK embassy staff to a Russian civil servant arrested last month on suspicion of spying for the UK. Up to four of those are thought to include senior diplomats.

According to the FSB, the Russian official was arrested on April 27th, after providing the British intelligence service MI6 with highly classified and important political, strategic and defence information.

UK officials said the Russian side had sent a confusing mixture of signals over the last 48 hours. In response, London wanted to give Moscow time to scale down the "bloated" proportions of its initial announcement, one UK official said.

The British intelligence services have drawn up lists of suspect Russian spies in London who would be expelled as part of any retaliatory move.

However, diplomatically, the foreign office has no wish to change its policy towards Moscow, which is based on encouraging Russia's emergence as a country where "reversion to Soviet-style tactics" is no longer conceivable.

UK officials were reacting yesterday to the moderate tones emanating from Russian foreign ministry spokesman Mr Grigory Karasin, who said that while no country would tolerate its citizens spying for a foreign agency, there should not be any "over-emotional reaction and hasty decisions".

Mr Karasin added: "We think the most important thing is to be very calm and to sweep away all emotions and not let the negative impact of what has happened influence the very good spirit of Russian-British relations."

In Birmingham, Mr Rifkind said that Russia had not provided any evidence to substantiate its earlier claims about the arrest of a Russian citizen allegedly working for the British.

KGB's heirs, Page 2

Editorial Comment and Observer, Page 13

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,417.34	(-46.97)
NASDAQ Composite	1,183.08	(-3.23)
Europe and Far East		
CAC40	2,063.74	(-6.68)
DAX	2,479.53	(+10.62)
FT-SE 100	3,723.0	(-28.6)
Nikkei	21,495.28	(-167.10)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.124%
Long Bond	86½
Yield	7.098%

■ OTHER RATES

UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	94½	(95⅛)
France: 10 yr OAT	100.625	(100.505)
Germany: 10 yr Bund	97.9	(97.7)
Japan: 10 yr JGB	97.127	(97.057)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.03	(19.43)

■ GOLD

New York Comex		
(Jun)	$395.8	(395.7)
London:		
close	$393.6	(393.2)

■ DOLLAR

New York lunchtime		
£	1.51105	
DM	1.52225	
FFr	5.14555	
SFr	1.24065	
Y	105.075	
London:		
£	1.5113	(1.5025)
DM	1.5213	(1.5273)
FFr	5.1443	(5.1633)
SFr	1.2493	(1.243)
Y	104.995	(104.725)

■ STERLING

DM	2.2992	(2.2948)
Tokyo $ close:	Y 105.125	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1,250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L80,000
France	FFr11.50	Lebanon	U$3.000			UAE	Dh12.00

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Fire fails to halt Crédit Lyonnais dealing

David Owen reports from Levallois-Perret, the Paris suburb where the bank has set up shop after Sunday's blaze destroyed its HQ

On the fringes of Paris, surrounded by undistinguished modern appartment blocks, Crédit Lyonnais' makeshift new dealing room for interest rate and currency markets has a very different feel from its predecessor in the elegant Opéra district.

A sheet of A4 paper Sellotaped to the wall points the way to the room in the basement of an office building in the northwestern suburb of Levallois-Perret. The 50m-long chamber is floored with coarse blue carpet-tiles.

But there is extraordinary activity in these inauspicious surroundings, given that virtually no one was working here prior to Sunday's fire which ravaged the state-controlled bank's elegant 19th-century Paris headquarters.

The fire rendered the bank's dealing room unusable, and triggered a scramble to implement contingency plans to minimise disruption to trading operations.

Those plans appear to have worked. Yesterday morning, little more than 48 hours after the fire broke out, around 70 dealers were calmly conducting business from 50 workstations bristling with the latest electronic technology.

Along one side of the room, scores of additional digital speaker phones were awaiting installation. "By Monday morning, there will be 160 people working here and it will be business as usual," said Mr Marc Poli, the bank's director of interest rate and currency markets. Mr Poli estimated traders already installed were managing to conduct about 70 per cent of their normal business.

The bank's response to the fire began at 10.30 on Sunday morning while the building was still burning, when an eight-strong crisis committee met in central Paris to review the position. Numbers swelled to about 25 as the day wore on and the fire engulfed part of the city in thick black smoke.

By 6pm, they had moved out to the premises at Levallois-Perret, where the bank maintained a battery of 50 back-up trading stations. A team of technicians worked through the night to ensure that these stations were fully operational. "I didn't sleep on Sunday, but yesterday I slept very well," Mr Poli says.

He acknowledges that the new dealing room is in less elegant surroundings than the one that was destroyed, but argues that it is already proving more efficient because the technology is state-of-the-art.

One of the bank's derivatives traders agrees. "At the end of the day we have much better equipment here," he says. "And, besides, it's cheaper to park."

Another dealer says she is "amazed" at how quickly the operation has got up and running. "I have traded FFr200m [$40m] this morning," she says. "That's the usual volume on a good day."

Mr Poli says present arrangements are only temporary and that the bank will move to a new dealing room, "probably near Opéra" in about six months' time. He estimates the cost of getting Levallois-Perret properly up and running at FFr3m-FFr5m. And for the next two weeks 500 headquarters staff have had to be put on short time.

Of course, there have been teething troubles. There are not enough toilets. And no stationery arrived until Monday evening. Yesterday morning a subject of concern was a shortage of calculators. But, on balance, Mr Poli and his team can be well pleased.

Spare a thought, though, for the owner of the Gramont café just up the road from the bank's fire-ravaged headquarters. According to Mr Poli it was something of a tradition for his traders to buy their morning coffee there.

"He has probably lost 50 per cent of his business," he says. "In fact, the guy who is probably losing the most money from all of this is the owner of the Gramont café." At the Gramont café last night, Mr Laurissergues Baptiste confirmed that the cafe had indeed suffered a serious loss of business. "Perhaps not 50 per cent, but there is a lack of customers," he said.

Spy affair points to strains at the heart of Russia's foreign relations

KGB's heirs burst out of shadows

By John Thornhill and Sander Thoenes in Moscow and Jimmy Burns in London

The international furore over the arrest of an alleged spy and the threatened expulsion of several British diplomats from Moscow has catapulted Russia's FSB, heir to the KGB, back into the headlines.

From one perspective, it is possible to argue that the FSB is just doing its job. Britain continues to spy on Russia, just as Russia spies on Britain, and the FSB, which is responsible for counter-intelligence activities, may have simply caught their man.

Nonetheless, President Boris Yeltsin appears grateful for the opportunity to bang the nationalist drum and to be seen defending Russian national interests ahead of next month's presidential election.

"Mr Yeltsin wants to show the Communists they are wrong and he is not the agent of western leaders," says Mr Sergei Markov, a political analyst at the Carnegie Endowment for International Peace.

But the scale of the threatened Russian response to the single case of spying and the confusion that appeared to prevail yesterday between the FSB and the foreign ministry suggests there is rather more to the affair.

The foreign ministry, which is responsible for the accreditation of diplomats, appeared unnerved by the FSB's demand that nine British embassy staff be expelled, suggesting some dissension in the Kremlin over how to respond to the incident. Ministry officials were keen to stress that the matter should not affect normal working relations with the UK.

However, though the foreign ministry appears to want generally good relations with the west, there is little evidence the FSB is so inclined. Mr Mikhail Gorbachev, the former Soviet president, once referred to the KGB as "a state within a state"; its successor still seems capable of conducting policy on its own.

Mr Mikhail Barsukov, the head of the FSB, is seen by western intelligence sources as hardline and nationalistic, and cool to western attempts to co-operate over matters of mutual interest.

He is known to be particularly close to General Alexander Korzhakov, head of Kremlin security, who caused a storm of protest this week by airing his view that the presidential elections should be postponed.

Since the Cold War, western intelligence agencies have tried to build bridges with their counterparts in the former Soviet bloc. They have begun to share resources on issues of common concern, such as drug-related money-laundering, counter-terrorism, and information about the sale of sensitive nuclear material to potentially unpredictable third world countries.

But Russia has remained more resistant to the trend than former Soviet satellite countries such as Poland, Hungary and Ukraine.

As a recent British secret service report noted: "In Russia the process of democratic reform within the security and intelligence agencies is not so far advanced as among her former allies in the Eastern bloc."

The FSB's sister organisation, the SVR, which is responsible for intelligence gathering abroad, has seemingly stepped up its activities – on Mr Yeltsin's orders – particularly in industrial espionage.

"It is basically the old organisation given new form and remaining very, very active," said one western intelligence source yesterday.

A recent UK parliamentary report concluded that the resources of both MI6 and MI5 – respectively Britain's foreign and counter-intelligence agencies – needed to be increased to tackle the intelligence threat posed by Russian espionage. MI6 officials told the committee the agency had reduced its operational effort on Russian and other former Soviet states by two-thirds since the end of the Cold War.

But, while Mr Barsukov may wish to give the FSB a harder edge, he still has some way to go before he can rival the KGB's omnipresence within Russia. "The FSB is a little stronger than it used to be but it is nothing like the KGB," says one Russian analyst. "Most people have left and it is hard to get back the same esprit de corps."

Meanwhile, in another part of Moscow.... Mr Andrew Carter (right), deputy head of the UK mission, arrives for the graduation of Russian military officers who took part in a Russian-British programme of retraining for civilian life Reuter

President Boris Yeltsin yesterday reassured his US counterpart, Mr Bill Clinton, that Russia's presidential election would be held on schedule on June 16 despite widespread fears it might be postponed, writes John Thornhill. In a 20-minute phone conversation, Mr Clinton said he viewed the election as important for establishing "another milestone in the path to democracy" in Russia.

"President Yeltsin could not have been more direct in saying he considers a free and fair election one of his constitutional responsibilities as president of the Russian Federation," a White House official said.

Mr Yeltsin, still lagging behind the Communist party candidate in most opinion polls, yesterday hinted he might still be able to strike a compromise with Mr Grigory Yavlinsky, the presidential aspirant from the liberal Yabloko movement. Russian political commentators have speculated that Mr Yavlinsky might yet support Mr Yeltsin in return for becoming prime minister in a second Yeltsin administration.

Concern on safety rules for aircraft

By Michael Skapinker, Aerospace Correspondent

Europe's system for regulating aircraft safety is in danger of unravelling, Sir Christopher Chataway, outgoing chairman of the UK's Civil Aviation Authority, warned yesterday.

Sir Christopher said the Joint Aviation Authorities, which sets common airworthiness standards on behalf of 26 European countries, was not functioning properly.

He told the Aviation Club in London the JAA, founded in the 1970s, should move away from its practice of making decisions by consensus, a "lengthy and frustrating business". He said the JAA needed to adopt a system of qualified majority voting and redefine its relationship with the European Union.

The US Federal Aviation Administration was becoming "increasingly sceptical about the JAA's ability to deliver common standards across Europe", he added. The result was that a "potentially dangerous dispute" was developing between the US and European authorities.

The dispute is over the McDonnell Douglas MD900 helicopter, which has received US certification. The JAA is asking for certain technical matters to be settled before it gives its blessing to the helicopter.

The FAA has now broken off discussions and advised McDonnell Douglas to seek validation for the helicopter from individual European safety authorities.

Sir Christopher said: "There is apparently a German purchaser wishing to buy the MD900 and we wait to see whether the German safety regulators will be prepared to validate unilaterally. There is thus a danger that the harmonisation agreements of 20 years may begin to unravel."

Sir Christopher, who steps down from the CAA at the end of the month, said the answer was to introduce majority voting into the JAA, which would be responsible for airworthiness and other safety requirements.

The JAA should then allow the European Commission to represent it in dealings with third parties. "The clout of the Commission and the Council of Ministers is likely to be required if the new body is to punch at a level weight with the US authorities, he declared.

Sir Christopher, a former Conservative minister, said the UK's refusal to participate in the development of EU institutions would be damaging to the British aviation industry. He said that only the EU could negotiate an open skies agreement with the US.

The UK government has strongly resisted proposals for the EU, rather than national governments, to negotiate with the US.

France backs UK on stronger WEU

By Bruce Clark in Birmingham

France yesterday backed British efforts to strengthen the Western European Union, but called for the upgrading of Europe's defence club to go much further still.

At a meeting in Birmingham of the 10-nation WEU and 17 associated countries, France and Britain also joined forces to denounce vigorously a proposal for a European-only force to be sent to Bosnia next year.

Mr Malcolm Rifkind, the UK foreign secretary, won support for Britain's work as holder of the WEU's rotating presidency to equip the defence organisation with a crisis-monitoring capacity and intelligence centre.

But Mr Herve de Charette, his French counterpart, said European self-sufficiency in defence should go beyond the so-called Petersberg tasks – humanitarian and peacekeeping missions – which the WEU is preparing to undertake.

"We want Europe to have the foreign policy of a respected power which can act militarily if necessary," said the French minister, whose government shares with Germany the long-term aim of merging the WEU and the European Union.

"The EU must organise itself to cope with the Petersberg tasks and not only those tasks," he added, citing the need for firmer guarantees of access to military assets now assigned to Nato.

France and Britain agreed in rebuking the European Union's external affairs commissioner, Mr Hans van den Broek, for floating the idea that EU members should organise a peacekeeping effort in Bosnia next year.

Aides to Mr Rifkind said the EU commissioner had been "absolutely out of line" in making a proposal that could gratuitously alienate the US, leading power in the 60,000-strong Nato force now in Bosnia.

Mr de Charette reaffirmed the French and British line that all the western powers involved in the Nato mission should leave together, and he said it was none of the Commission's business to comment on Nato matters.

"As they say in the countryside, everybody should do his own job, and then the cows will be well kept," he added.

The French minister insisted that the EU should provide both the political authority and the finance for European-only military missions, as part of an increasingly robust external policy which could use force as well as dispensing aid.

In line with its reluctance to endow the EU with any authority over military matters, Britain insists the EU and the WEU should remain autonomous organisations, albeit with close operational links.

Mr Klaus Kinkel, German foreign minister, said British and continental European opinions on the WEU's long-term future remained far apart but British officials welcomed the fact that German ministers played down these differences during the Birmingham talks.

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Habitat's move into Italy challenged

By Andrew Hill in Milan

A tiny Italian furniture manufacturer has thrown down a challenge to Habitat, the stores group founded in the UK by Sir Terence Conran, by claiming it cannot use its well-known trademark in Italy.

Habitat opened its first home furnishing stores in Italy last month and plans to open six more by the end of May as part of a joint venture with the Italian retailer La Rinascente.

Galliano Habitat, based near Turin, has won a provisional court order preventing Habitat Italia using the name. On Friday, Habitat, which is investing L30bn ($19m) in its Italian venture, will have its first chance in court to respond to its tiny rival's claims.

"We've made enormous investments in this name and my father has devoted his life to this company," says Mr Mauro Galliano, who employs 30 people manufacturing, distributing and retailing modern furniture and home furnishings. "This confusion is causing us great damage and could damage them."

The unexpected hiccup in Habitat's expansion plans is only the latest example of an international company being taken to court by a small but persistent namesake. Last year Eurostart, a small French delivery and courier company, challenged the French national railway company to give up the name Eurostar for its heavily promoted Channel tunnel service. The case was settled out of court, but only after an embarrassing initial ruling which outlawed the Eurostar trademark.

The Italian legal action has not held up the launch by Habitat of three stores in and around Milan and another in Bergamo, but it has irritated the group's managing director in Italy, Mr Matteo Rignano. He says Habitat first registered the brandname in Italy in 1969 and will "fight to the death" to defend it.

Mr Galliano's father started using the name Galliano Habitat in 1971 when he decided his company's future lay in modern furniture. Mr Galliano claims a local teacher thought up the new name. Galliano Habitat argues that the larger group's right to use the trademark lapsed because it had no direct presence in the country.

This is not a view that carries any weight with Mr Rignano. "Claiming that a company like Habitat doesn't have the right to use the trademark, just because they [Galliano] opened a shop with the same name, is absurd," he says. He claims Habitat's research threw up hundreds of Italian companies using the name Habitat, from manufacturers to magazine publishers, and it would have been impossible to contact them all.

Habitat, which is now controlled by the Stitching Ingka Foundation, owner of the Ikea furniture stores, is likely to point to the Italian clients on its mailing list and exports to Italian addresses as evidence that its name was already well known in the country.

Mr Galliano says Habitat did contact Galliano Habitat before the March 1995 agreement with La Rinascente was announced but then broke off talks. "We have the impression they then pretended to forget about us," he says.

EUROPEAN NEWS DIGEST

Insurance fraud at least Ecu8bn

Insurance losses from fraud are costing at least Ecu8bn ($9.9bn) a year, or about 2 per cent of premium income, according to a study yesterday by the CEA, the body which represents European insurers' trade associations. The CEA believes the problem is growing in all European countries with insurance fraud, like tax avoidance, "considered to be a sort of profitable sport for the cleverest".

But the CEA suggests there is insufficient desire within the industry to combat fraud and that, because the industry does not stress the "criminal nature" of fraud, the public does not believe insurers regard it as a priority.

The committee's survey finds motor insurance is the sector most affected by fraud, followed by fire and household, then theft, life, health, transport and marine insurance. It suggests fraud may be as high as 10 per cent of premium income in some sectors and countries. *Ralph Atkins, London*

Milan to sell power supplier

Milan has become the latest Italian city to take steps to privatise its local utilities. The city council has approved measures to transform AEM, the local gas and electricity supplier, into a joint stock company. Mr Marco Formentini, Milan's mayor and one of the leading politicians in the separatist Northern League, said yesterday the council would sell 49 per cent of AEM on the stock market this year. Investors would be limited to a maximum shareholding 0.5 per cent.

Turin is seeking strategic industrial partners for its electricity and heating utility, AEM Torino, in which the city will keep a controlling stake. Milan is likely to name a financial adviser for the float within the next six weeks, while Turin is now seeking to appoint a global co-ordinator for its sale.

The city of Genoa, advised by Paribas, is one of the most advanced in its plans for privatisation. Its council recently approved the flotation of AMGA, the local water and gas utility, later this year. *Andrew Hill, Milan*

Progress in France Télécom row

The French government yesterday appeared to have won some union acquiescence for a partial privatisation of France Télécom by pledging to give civil servant status to those hired by the utility until 2002, and to take over financial responsibility for the utility's pensions.

While the unions continued to question the need for the partial sell-off, most said they were satisfied by the government's latest concessions and only two, the pro-communist CGT and SUD-PTT, reiterated their threat of strike action.

Mr François Fillon, the telecommunications minister, has released a draft bill to incorporate France Télécom as a regular company by the end of the year, with the aim of selling 49 per cent to investors, including up to 10 per cent to utility employees. In return for shedding its pension burden, France Télécom will have to pay the government a sum calculated to put it on an equal footing with operators entering the French market in 1998. *David Buchan, Paris*

EU pursues pact on electricity

European Union energy ministers are likely to hold a special meeting in Luxembourg next month to decide the extent to which electricity markets should be opened up to cross-border competition. A ministers' meeting in Brussels yesterday ended without agreement on the extent of market liberalisation, or a proposed timetable.

But ministers moved a step closer to a common position on a four-year-old proposed directive, with agreement in principle on some operational details of a liberalised market, including the public service obligations member states could impose on electricity companies.

Italy, which holds the presidency of the council of ministers, said it was "optimistic" agreement could be reached before the end of its presidency in June.

Other states are expected to hold bilateral meetings with Italy on the extent and timetable of market opening, which could be ratified at a special meeting before the EU heads of government summit in Florence. *Neil Buckley, Brussels*

Hungarian trade gap widens

Hungary's trade deficit was higher than expected in the first quarter, owing to extra energy imports resulting from one of the country's coldest winters on record. But trade officials insist the target of a $3bn deficit for the whole of 1996 can still be met.

The January-March deficit reached $827.6m, against $990m in the same period last year, following a 6.1 per cent increase in exports in dollar terms to about $2.9bn, according to preliminary government figures. Imports stagnated at around $3.7bn, with energy accounting for 13.6 per cent. Exports of goods only assembled in Hungary shot up 25.7 per cent, accounting for $829.5m of the total. Developed countries were Hungary's most important trading partners, accounting for 74 per cent of total exports and 69 per cent of imports. Sales to the former east bloc fell slightly to 22 per cent, while imports rose to 25 per cent of the total. *Virginia Marsh, Budapest*

Greek inflation rises to 9.2%

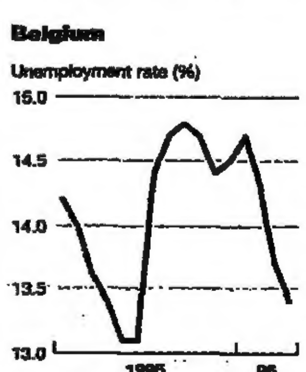
Greece's annual inflation rate rose in April from 9.1 to 9.2 per cent, reflecting higher food and fuel prices, the national statistics service reported yesterday.

Inflation jumped by 1.3 per cent between March and April, despite government efforts to hold down prices of meat and fresh produce over Easter and impose ceilings on petrol prices.

Inflation has quickened steadily from 8.1 per cent in January, but a Greek economy ministry official played down the rise, saying it was "due to factors such as a harsh winter and a stronger US dollar and does not represent an increase in underlying inflation". *Karin Hope, Athens*

ECONOMIC WATCH

Belgians agree budget savings



Source: Datastream

Belgian officials have reached agreement on BFr25bn ($801m) of economies that should enable the government to lower its budget deficit to 3 per cent of gross domestic product this year, on the back of encouraging unemployment figures. Unemployment fell to 13.4 per cent in April from 13.7 per cent in March and was unchanged from 13.4 per cent a year earlier. The number of jobless rose to 481,121, up 1,260 from March and up 3,424 from a year earlier. The social security system is to contribute BFr10bn of the planned savings, while BFr7bn are to come from non-fiscal revenues and the rest from other areas of the budget. The government had hoped to meet the 3 per cent deficit target required by the Maastricht treaty with its original 1996 budget, but lower than expected growth reduced revenues. *agencies, Brussels*

- The European Union's consumer price index rose 0.4 per cent in March from February. Year-on-year it rose 2.7 per cent in March, unchanged from its February year-on-year level.
- Italian retail sales in January rose 5.7 per cent from a year earlier, with sales in large outlets up 6.1 per cent.
- Ukraine said its monthly inflation slowed to 2.4 per cent in April from 3 per cent in March.

Rome backs German competition proposal

Italy seeks separate EU anti-trust body

By Robert Graham in Rome

Mr Giuliano Amato, the former Italian prime minister and head of the country's anti-trust authority, yesterday threw his weight behind German proposals to establish an independent European anti-trust body.

Delivering the annual report of the Italian anti-trust authority, Mr Amato said the creation of a supra-national European structure separate from the Brussels Commission was essential to tackle more efficiently specific cases of anti-competition activity.

The former Socialist prime minister said such a body "would provide the necessary separation of roles" between monitoring the strict application of EU law in specific instances and that of the Commission "which would be responsible for broader policies, the compliance of member states with policy directives and in particular with the development of mechanisms to promote competition policy".

He said he envisaged the main need for the new body would be the areas of abuse of dominant position in the market and preventive monitoring of mergers that might lead to monopolies or near monopolies.

This is close to Germany's view, already made known to the Commission. Mr Claus Dieter Ehlermann, a former senior German official in the Commission, is currently working on details of a European anti-trust authority. The Commission itself still has reservations about the move in the present circumstances, but regards the establishment of such a body as almost inevitable in the longer term.

Italy's move represents one of the country's most forthright EU policy initiatives. Mr Amato has been encouraged to act because EU legislation in February allowed national anti-trust authorities to intervene in anti-competitive practices with measures that had cross-border consequences.

Recently the Italian authorities intervened in a landmark case involving Mannesmann AG, the German industrial conglomerate. Following Mannesmann's takeover of subsidiaries belonging to Italimpianti, the Italian engineering group, the anti-trust authority ruled this created an internationally dominant position in the design and manufacture of plants for making seamless steel pipes. As a result, Mannesmann agreed to take measures to ensure other operators were not barred from entering this sector in Italy and the rest of the EU.

Mr Amato was scathing in his report about the speed of privatisation in Italy over the past four years. He also underlined a number of initiatives undertaken during 1995, including the examination of 47 cases of abuses of market position and 378 mergers.

Mr Amato made a further attack on the state-dominated telecommunications sector for resisting moves to liberalise. Almost single-handed, he has been prodding Stet, the state-controlled telecoms group on the privatisation list, to drop restrictive practices and allow more competition.

Balkan 'highway of unity' reopens

By Laura Silber in Lipovac, Croatia

The Zagreb-Belgrade motorway, once a road artery between western Europe and the Middle East, reopened yesterday for the first time since war erupted in Croatia after it declared independence from Yugoslavia in June 1991.

Once jammed bumper-to-bumper with lorries, tourists and *gastarbeiter* or migrant workers, the motorway was nearly deserted for five years, used only by military vehicles in olive drab or the good Samaritan white of the United Nations. Foxes, ferrets and hawks flourished in the absence of traffic, startling the occasional traveller.

Yesterday's re-opening of the road and the Adriatic oil pipeline – which runs 570km from the Croatian port of Rijeka to the Serbian town of Pancevo – is seen as one of the most important steps towards reconciliation between Serbia and Croatia, the key players in the war for the spoils of Yugoslavia.

Officials from Croatia and Serbia and a crowd of reporters watched as US General Jacques Klein, the transitional UN administrator of eastern Slavonia, the last Serb-held part of eastern Croatia, cut a ceremonial blue ribbon. "This is a wonderful day. We have just

Serbian and Croatian customs officers seal the opening of the Zagreb-Belgrade motorway AP

opened the oil pipeline and the highway. It is fantastic." Under the peace agreement reached in Dayton in November, the region – scene of some of the bloodiest battles in the Serbo-Croat war and now inhabited mostly by Serbs – will be under interim UN rule for a maximum of two years until it returns to Croatian control.

The "Highway of Brotherhood and Unity", as it was called in communist Yugoslavia, was built by youth brigades from all over the former federation of six republics.

A testimony to Europe's will to hold the country together, in spite of the signs that it was hurtling towards war, was that on June 26 1991 – the day the republics of Croatia and Slovenia declared independence – the European Community granted $800m towards the completion of the roadway in the south of Yugoslavia.

Burnt-out houses and stretches of road torn up by mortars and tanks along the way bear witness to the six-month war waged by Serb rebels, backed by Belgrade.

Behind the scenes, peace had not quite taken hold. The Croats complained that the UN at first did not let them hoist their red and white chequered flag. For Serbs, the flag – which had been the coat-of-arms of the pro-Nazi Croatian independent state in 1941 – brings bad memories of the second world war.

The road will be open for international traffic, not yet for Serbs and Croats, whose countries have not established full diplomatic relations. The UN said rail links could be re-established by the end of May.

Anthony Robinson in Zagreb adds: Mr Borislav Skegro, the deputy prime minister, welcomed the reopening of the highway and oil pipeline link with Serbia. "Reopening these links has both symbolic and practical significance. It means *de facto* Serbian recognition of our borders, will restore transit traffic and contribute to re-establishing normal economic relations with our neighbour," he said.

The greatest boost for the Croatian economy, however, came with the reopening of road and rail links between central Croatia and the Adriatic ports.

"Access to the ports has lowered costs for industry and opened up the Dalmatian coast for tourism which is a big source of revenue from alcohol, tobacco and petrol taxes as well as hard currency," he said. The Croatian economy should now grow by 6-7 per cent in 1996, he added.

Albanians in tune with Greek needs

Mr Altin Shehu, a pianist and composer, joined other students of the Tirana Fine Arts Institute on a walk across the mountain border of his native Albania to Greece in 1991. "After a few months dishwashing, I was hired to play the accordion in a night club band. As soon as I could speak Greek, I started giving piano lessons," said Mr Shehu.

The path travelled by Mr Shehu and his friends has been a familiar one for Albanians since the total economic collapse that followed Tirana's emergence from 45 years of Stalinist self-isolation. Because of high unemployment and rapid population growth in Albania, Europe's poorest country, the flight to Greece continues.

But few migrants can expect to win acceptance as easily as Mr Shehu and his fellow musicians. Thanks to their popularity with Greeks, the musicians have found permanent jobs faster than most of the 300,000 Albanians working in Greece – equivalent to nearly 10 per cent of the Greek workforce.

The Albanians are by far the biggest group of migrant workers, drawn mostly from eastern Europe and Asia. "There are about 60,000 Poles, 40,000 Bulgarians, Romanians and Russians, 40,000 Filipinos and probably another 50,000 Africans and others. But all these figures are rough estimates and the real numbers could be "considerably higher", says a Greek trade union official.

Most immigrants work in Greece's fast-growing black economy, equal to at least 35 per cent of gross domestic product. Some have joined the legitimate economy by providing skills and services in short supply: many Poles work as welders and carpenters, while Filipinos receive work permits because they are considered indispensable as hospital workers and domestic helps.

An economy ministry official says: "Migrants have helped keep down wage costs, especially in construction and agriculture where there's a severe labour shortage. They are accepted fairly easily because they don't take over jobs done by Greeks."

Given the Greeks' own tradition of going abroad to find jobs, from mass emigration to the US and Germany after the second world war to a sizeable community of scientific and financial experts whose specialised skills are too advanced for the Greek market, social tolerance for immigrant workers is high.

Moreover, more than 100,000 ethnic Greeks from Russia and the Asian republics have settled in Greece since the break-up of the Soviet Union. Like Albanians of ethnic Greek descent, they are welcomed both as survivors of a repressive regime and a resource for the future, now that Greece's 10.2m population has started to decline.

However, apart from musicians and painters – many of whom now work as decorators – the Albanians' lack of skills confines them to poorly paid jobs. Albanians working illegally on farms and building sites are rounded up and deported in periodic sweeps by Greek police. But because surveillance of the mountainous border is difficult, they frequently slip back into Greece a few weeks later and return to their former employers.

Mr Piro Hoxha, a gardener in an Athens suburb, says: "I was expelled three times in three years, but by then I had enough money to arrange for an entry visa and that helped me get a regular job."

A recent study by the Centre for Economic Policy Research, a private Greek institute, says that illegal workers – mainly Albanians – add an extra 2.3 per cent to Greece's GDP by doing jobs which would not otherwise exist.

The study estimates that illegal labour adds an extra 3 per cent yearly to farm output and also boosts construction activity by about 8 per cent yearly. The yearly cost of employing an Albanian immigrant is about one-third that of a full-time worker.

> Migrants have helped keep down wage costs, especially in construction and agriculture where there are now severe labour shortages

Thousands of Albanians have returned to invest their savings in new homes and small businesses. Albanian migrants last year took home around $300m – equivalent to more than 60 per cent of Albania's export earnings – according to the Greek Foreign Ministry. The funds are fuelling a construction boom in Albania, with building materials also being imported by returning migrants.

Most Albanians carry their earnings across the border in cash, as Albania's rudimentary banking system cannot handle large numbers of small remittances from abroad. Immigrants also open savings accounts at Greek banks, where Albanian-held deposits are estimated at more than Dr20bn ($82m).

Yet unlike the Poles and Filipinos, who have organised support groups to pressure the Greek authorities to issue work permits and encourage employers to pay social security contributions, Albanians in Greece appear to have little sense of community.

Mr Robert Dragot, a painter who runs an association of Albanian artists in Athens, says that apart from college-educated Albanians who try to make broader contacts, people set up in family groups and try find jobs for each other. "Otherwise, it's still the survival of the fittest."

Kerin Hope

South Africa set to agree on constitution

By Roger Matthews in Cape Town

South Africa was last night on the verge of adopting a new constitution following hectic last-minute bargaining between the main political parties.

The probability of a deal being struck came only after intense pressure by the ruling African National Congress on the National party headed by former president F W de Klerk.

The ANC warned National party negotiators that if they forced the issue to a referendum, many of the compromises already struck would be abandoned. "We let them know that if they did not take what was on offer now it would be a very different document that would be presented to the electorate in a referendum," said a senior ANC member.

If the National party and other small parties did decide to oppose the draft constitution in today's vote, the ANC would almost certainly fall short of the required two-thirds majority. This would trigger a further 30 days of attempted conciliation, and a referendum if that failed. The ANC is confident that it would achieve the required 60 per cent of the vote in a referendum.

The three critical issues blocking agreement have been the definition of property rights, the right of employers to lock out workers during strikes, and the National party's demand that the state provide single-language education.

Throughout yesterday, preparations for celebrations to mark the adoption of the constitution went ahead despite the intense negotiations interspersed with meetings of the 490-member constitutional assembly. The members even broke off negotiations during the afternoon to pose for a group photograph on the steps of the senate building.

Much of yesterday's delay was believed to be due to divisions among the National party negotiators. Some were said to be arguing that a defeat over education could seriously erode their electoral support within the Afrikaner community. Others, however, were concerned that by forcing a referendum they would inflict serious damage on South Africa's international reputation for political compromise while the currency was under strong pressure.

Union leaders also kept a close eye on the negotiations. Their campaign against giving employers the right to lock out strikers has been only partially successful.

The latest draft of the constitution, which allows the lock out, will remain in force until repealed following negotiations with employers organisations.

The unions are unhappy with this compromise and Mr Sam Shilowa, the general secretary of the Congress of South African Trade Unions, said: "This struggle is by no means over."

In a separate development yesterday the resignation was announced of Mr Estian Calitz, the director general of the ministry of finance, who has been closely associated with the development and implementation of economic policy.

Mr Calitz, who has been a civil servant for 19 years, was appointed director general by Mr Chris Liebenberg, who resigned last month as minister of finance.

More developing countries on course to catch up with industrialised counterparts

Economic integration holds key to growth

By Robert Chote, Economics Editor

Since the early 1980s living standards in most developing countries have fallen further behind those in industrial nations, as many poor countries have become more isolated from the world economy.

The World Bank believes more developing countries are on course to start "catching up" with their industrialised counterparts in the next few years. But to do so they will have to widen and deepen their economic links with other countries.

In its latest *Global Economic Prospects and the Developing Countries* report, the World Bank predicted that economic growth in the developing countries would rise to an average of 5.4 per cent a year during the next decade. This compares favourably with the 3.4 per cent a year recorded in the 1980s and the 5 per cent a year seen since 1991.

"Still, if current policies continue, large differences in performance among developing countries will persist," the World Bank warned.

All regions are expected to match or exceed the growth they recorded in the past 10 years, but incomes per head are forecast to rise only modestly in Sub-Saharan Africa, the Middle East and North Africa. Between now and 2005 incomes per head are expected to rise at an annual rate of 6.8 per cent in East Asia, 3.7 per cent in South Asia, 3.7 per cent in Europe and Central Asia, 2.2 per cent in Latin America and the Caribbean, 0.9 per cent in Sub-Saharan Africa and 0.4 per cent in the Middle East and North Africa.

By way of comparison, incomes per head are expected to rise by 2.4 per cent a year in the industrial countries.

But the World Bank argues that differences in likely growth performance owe less to regional factors than the degree to which countries are integrated with the world economy – namely to what extent they participate in international markets for goods, services, capital and labour. The quarter of developing countries that integrated most quickly in the past decade grew nearly 3 percentage points a year faster than the slowest integrating quarter.

"Increased participation in international trade improves resource allocation, enhances efficiency by increasing competition among firms, and induces learning and technology transfer, thus facilitating growth. Countries with the highest levels of integration tended to exhibit the fastest output growth, as did countries that made the greatest advances in integration."

Openness to trade and foreign direct investment increased among the developing countries as a whole last year, but performances varied widely. The ratio of trade to national income actually fell in 44 of the 93 developing countries tracked by the World Bank, while foreign direct investment fell relative to national income in more than 30 countries.

Trade openness is mirrored by tariff levels. Tariffs in South Asia remain higher than in other regions, although they have fallen significantly since the second half of the 1980s. Tariffs are also relatively high – and have not fallen significantly – in Sub-Saharan Africa, the Middle East and North Africa. These regions also have relatively weak inflows of foreign direct investment.

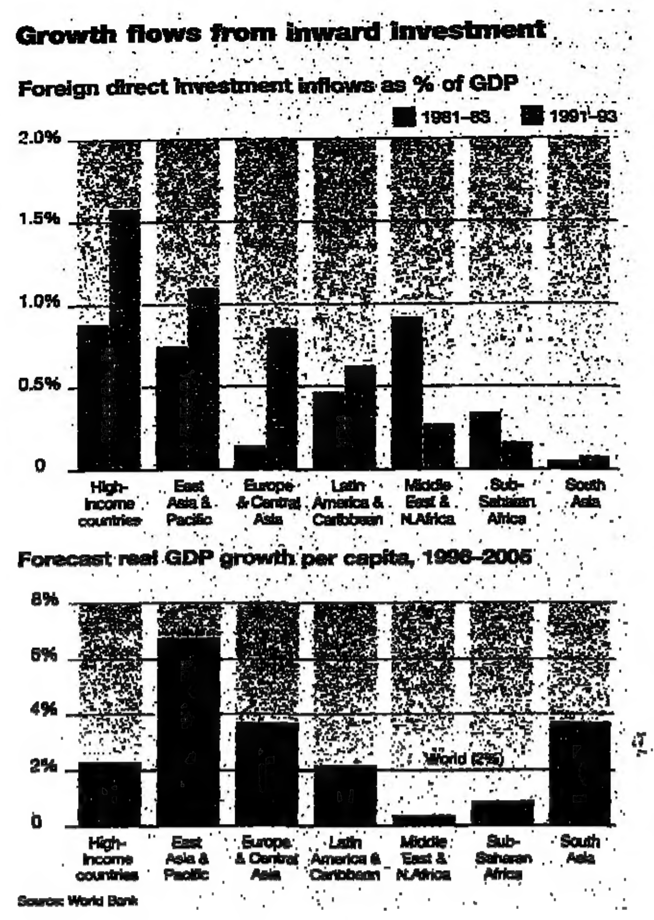
Weak and slow integrators over the past 10 years include most low-income countries in Sub-Saharan Africa, as well as many middle-income countries in Latin America, the Middle East and North Africa. Rapid integrators include the East Asian exporting nations and "reformers" such as Argentina, Chile and Mexico in Latin America, Morocco in the Middle East, Ghana and Mauritius in Sub-Saharan Africa, and the Czech Republic, Hungary, Poland and Turkey in Europe.

"For the most part, only fast-integrating developing countries saw per capita incomes converge towards industrial country levels over the past decade," the World Bank said. Growth in 75 of the 93 developing countries was below the industrial country average between 1984 and 1993, but World Bank officials expect this number to drop to around 30 in coming decade.

The World Bank included a number of policy prescriptions in the report. As ever, it urged governments to pursue macroeconomic stability, especially by cutting government borrowing. It also urged the abandonment of policies aimed at restricting trade and foreign investment.

The bank conceded that countries face transition costs if they liberalise and integrate their economies. But "these costs tend to be overestimated."

Editoral comment, Page 13



Primary product diversification gets green light

By Robert Chote

Salmon, forest products and blackberries are just three of the new export industries developed in Chile in recent years, through a co-operative venture between the private and public sectors.

Fundación Chile is jointly funded by the government and private sector in an effort to develop non-traditional export industries. Enterprises *are set up using its research*, development, production and marketing efforts, before being sold to the private sector once they have become established.

Fundación's success has seen the scheme emulated in Bolivia and Colombia. The World Bank – despite taking an instinctively wary attitude to public sector activity – also hails it as a good example of the way in *which commodity producers should* try to diversify their activities.

Countries which are heavily reliant on commodity exports for their link into the world economy are particularly vulnerable when demand or prices change.

However the bank argues that "these problems can be overcome by policies that strengthen the private sector (for example, abolition of state *monopolies*), *encourage foreign direct* investment (joint ventures in production and export marketing), promote research and its application (minimising restrictions on new agricultural technology), and develop infrastructure (telecommunications reform)".

Colombia provides another example of diversification into non-traditional commodities, having become *one of the world's leading producers* of cut flowers. The cut flower market has more than trebled from $1.25bn in 1985 to $4bn in 1993.

During this time Colombia has exploited its abundant land, favourable climate and low-paid labour force, allowing it to compete with local producers in the rapidly growing US market.

SA to speed up partial sell-off of telecom group

By Mark Ashurst in Johannesburg

The South African government yesterday announced plans to speed the partial privatisation of Telkom, the state-owned telephones giant, by consolidating the powers of Mr Jay Naidoo, the new minister of post, telecommunications and broadcasting.

In a clear departure from the style of his predecessor Mr Pallo Jordan, who had delegated much of the development of communications policy outside government, Mr Naidoo said policy would be drafted in concert with the newly appointed ministers of finance and trade and industry.

Stakeholders were given one week to comment on a draft white paper for telecommunications. He hoped a final draft, the basis of the proposed liberalisation, would be tabled in parliament by next month.

Mr Naidoo said Telkom required a "strategic injection of funds, capacity and expertise", but would not discuss a timing for this "restructuring". Although he avoided the term "privatisation", Mr Naidoo did not believe Telkom could achieve this target without a strategic equity partner from the private sector. "I don't think they have enough money, and the debt to equity ratio is just too high – they cannot go to the capital markets."

The finance ministry is expected to unveil a "protocol of corporate governance" for public sector companies, outlining the criteria for private sector involvement, later this month. Ministerial aides expect between 20 and 30 per cent of Telkom's equity to be sold by the end of the year.

The government plans to double South Africa's current telecommunications capacity by installing 4m new telephone lines within five years.

A former leader of the Congress of South African Trade Unions, which has opposed plans to privatise state industries announced by Mr Thabo Mbeki, deputy president, in December, Mr Naidoo said he was confident policy could be agreed with the unions.

But he ruled out any prospect of unions or regulatory authorities increasing their influence over industrial policy. "Telecommunications strategy must lead to the modernisation of our economy and the move to a more knowledge-based economy... If there are any obstacles to the restructuring of these [state] assets, I am taking responsibility."

The shift in the government's approach was underscored by the departure of South Africa's first black postmaster-general, Mr Andile Ngcaba, to become director-general at the ministry, where he will take charge of policy development.

Egypt inches towards privatisation

By James Whittington in Cairo

After four months of rhetoric about Egypt's new commitment to privatisation, a last-minute decision on Monday to sell a majority stake in a public sector company to private investors through the Cairo stock exchange has raised hopes that the government might start to deliver on some of its promises.

The initial public offering of the real estate company, Nasr City Housing and Construction, which closed yesterday, was raised from 20 to 75 per cent of its equity in response to a high demand from foreign and local investors.

In an interview with the Financial Times last month, Mr Kamel el-Ganzouri, who took over as prime minister at the beginning of the year with a mandate for faster and deeper reforms, said he hoped to see "at least eight companies" selling a majority stake to the private sector by the end of next month.

Since Egypt embarked on a programme of economic reforms in 1991, the need to dismantle the country's huge public sector, so triumphantly cobbled together in the 1960s, has caused much soul-searching and resistance within the government.

Even Mr Ganzouri, who spent the past 12 years as planning minister, admits to coming round only recently to a belief in the benefits of privatisation. "Frankly, three years ago, I thought you could keep the public sector and still the private sector would be free to come and invest," he confided. "But right now it's hard to invite the private sector to work while we have this big pyramid of public enterprises."

As a result, the government's record so far has caused great frustration to donors, such as the International Monetary Fund and the World Bank, who have been urging Egypt to reduce the public sector's burden on the state to achieve higher growth.

With the sale of Nasr Housing, only five fully-owned public enterprises, out of 314 earmarked for sale, have passed into private control. Seventeen others have been partially privatised with each one releasing minority stakes – typically 10 per cent of equity.

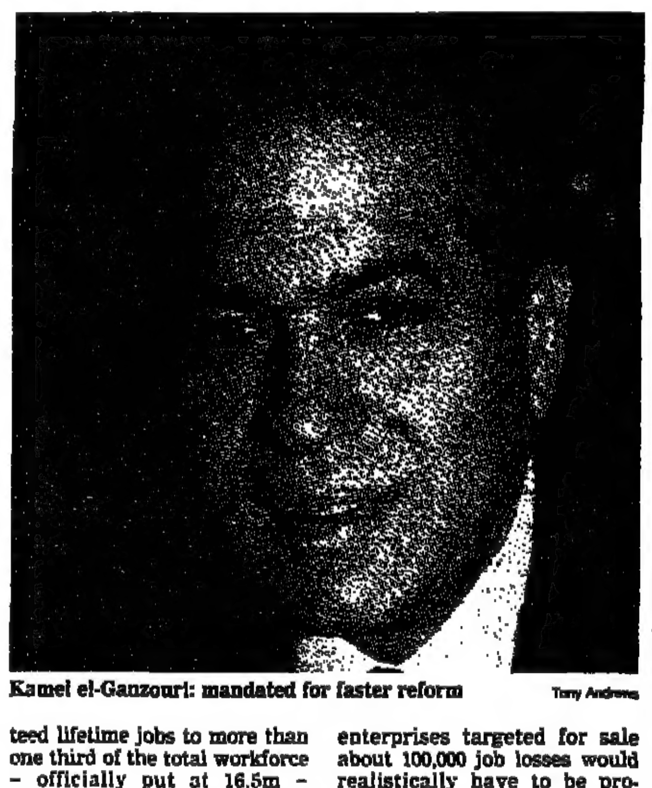
The size of the task ahead is colossal. The non-financial public enterprises to be sold account for two-thirds of industrial output with a book value of E£85bn ($25.1bn). These do not, however, include the four public sector banks and the so-called Economic Authorities which control big utilities and infrastructure such as gas, electricity, water, oil and the Suez Canal, which have been ring-fenced from privatisation.

Aside from a question-mark over the government's commitment to faster privatisation, one of the obstacles to the programme has been the bureaucracy of its institutional structure. In 1991, the 17 holding companies which owned the enterprises targeted for sale were established with a mandate to maximise returns rather than a clear set of rules on how to privatise.

Outside advisers to the Public Enterprise Office, headed by Mr Atef Obeid, have recommended that a Divestiture Trust is set up to oversee privatisations exclusively. Each company ready for sale would be transferred to the Trust which would have a legal mandate and an incentive structure to execute the sales.

Instead, the government has said it will replace those managers who are resisting privatisation. To avoid the issue of personal liability for public sales – which has badly marred the credibility of Russia's privatisation programme – it has agreed that decisions on each sale will be taken collectively by the cabinet.

The other main hindrance is the political issue of job security. For the past four decades, the public sector has guaranteed lifetime jobs to more than one third of the total workforce – officially put at 16.5m – which in vast overstaffing of the public enterprises.


Kamel el-Ganzouri: mandated for faster reform Tony Andrews

President Hosni Mubarak used Labour Day last week to say that no jobs would be lost through privatisation. But government officials concede that of the 1m workers in the public enterprises targeted for sale about 100,000 job losses would realistically have to be provided for.

Observers will now be watching closely to see whether the Nasr Housing decision was just a one-off or whether the government has finally decided to allow the private sector to start taking over.

Aid donors agree to new results strategy

By David Buchan in Paris

Leading aid-donor countries yesterday agreed on a new results-oriented strategy designed to focus less on the monetary level of their development assistance and more on the economic and social impact of that aid on poor countries.

The strategy, announced after a meeting of high-level aid officials from 22 members of the Organisation for Economic Co-operation and Development (OECD), reflects growing embarrassment by some donors, like the US, at the fall-off in their official aid budgets. But OECD and US officials said yesterday that new performance targets were also aimed at increasing the efficiency of development aid and at raising incentives for donors to contribute more.

A paper by the OECD's Development Assistance Committee (DAC) calls for its members to aim to reduce by half the 1.2bn people with a current income of less than $1 a day by 2015, at providing universal primary education by the same date, and for big reductions in infant and maternal mortality.

Despite the emphasis on the "output" of aid efforts, Mr James Michel, chairman of the DAC, expressed concern about falling "input". He said preliminary reports from the 22 member governments showed some decline last year in their bilateral and multilateral aid contributions from the 1994 total of dollars $59bn.

Mr Brian Atwood, head of the US Agency for International Aid, said that the final figures for last year might show that France had overtaken the US as the second largest provider of government economic aid behind Japan. Congressional cuts and budget pressures had led to a 40 per cent decline in his agency's budget, he said. But he hoped that the OECD's new results-oriented approach would help provide for US politicians "more proof that aid works in our enlightened self-interest" by improving conditions and expanding markets in poor countries.

The DAC group also recommended that their governments take action to introduce anti-corruption provisions into contracts funded by their aid budgets. DAC members also undertook to urge international development agencies to take the same steps to stamp out bribery in the contracts which they financed. "The suspicion that some of our aid money ends up in Swiss bank accounts has damaged support for aid programmes," Mr Atwood complained.

Fear drives Africa's boom business

Security companies trade on lawlessness and crime, writes Michela Wrong

As a soldier in the army of apartheid South Africa, Bill Pelser donned fatigues and fought the Marxist Angolan government on the side of the Unita rebel movement. Today he wears a suit and his company, Saracen International, clears Unita mines laid in government-held territory and trains former Angolan soldiers as security guards.

Mr Pelser has found the transformation from poacher to gamekeeper a painless one.

"It's very familiar territory: planning complex operations, deploying men, security concerns. It's everything we did in the army. Only now I'm working for myself and the money goes into my pocket."

Mr Pelser is not alone in finding the private sector more to his liking. Across Africa, thousands of soldiers and policemen are handing in their uniforms to set up security concerns, tapping into expatriate fears about rising crime and the perceived inability of governments to protect the public.

Security is one of the continent's most vibrant growth industries, a boom which – whether founded on reality or lurid fantasy – is a barometer of the precarious health of the African state.

In South Africa, where white homes boast the rottweiler at the door and a 24-hour "rapid response" team at the press of a button, more people are now employed by the private security industry than the police force.

In East Africa, industry experts say the sector is growing by 20 to 28 per cent a year. Even Kenya, which once enjoyed a reputation as Africa's "safe" destination, now lists some 180 security companies in its Nairobi telephone directory, providing an estimated 20,000 jobs.

But nowhere has the privatisation of security been more acute than in Angola and Zaire, where the state survives in little more than name.

In Kinshasa, the normal rules of society have been reversed – no point calling the police since it is they who are mugging you – and a fend-for-yourself philosophy has been taken to its ruthless extreme. The poor do without electricity, decent roads, working telephones and are robbed by the local gendarmes. The rich have generators, four-wheel drive vehicles, mobile phones and security guards.

In Luanda, there were only two security companies in 1992. Now there are between 70 and 100 and many more operate like private armies in the diamond-rich Lunda provinces. The government, alarmed by the mushrooming phenomenon, recently introduced legislation to put a brake on the boom.

Mr Svend Thomsen, a former Swedish diplomat who now runs the 500-strong company Guardasegura, says men wait months to get a job with his company guarding non-governmental organisations and foreign oil companies.

"We train 25 men a month and cannot absorb staff any quicker than we do. But, given the demand, we could easily have 1,000 employees. Africa can no longer do without these kind of firms."

Most of his company's recruits have done five or 10 years in the army, "so they don't need to be taught about weapons", says Mr Thomsen. "What they do need to be taught is to be polite, keep clean and relate to the customer." For such duties they get the equivalent of $250, about 10 times a university professor's salary.

Pickings for the managers are rich and increasingly the big players are becoming multinational affairs: the same names – Defence Systems Ltd (DSL), Securicor, Group 4 – crop up in country after country.

DSL, a British company which specialises in protecting embassies and recruits Gurkhas and former members of the SAS, helped train the Mozambique army and now has branches in Angola, Zaire and Rwanda. Saracen has branches in South Africa and Uganda and is exploring possibilities in Tanzania and Kenya.

Competition between rivals is fierce and there is much mutual criticism. Companies such as DSL do not arm their guards, on the basis that doing so escalates any confrontation. Saracen scoffs at the idea. "If you're not armed you can't stop an armed guy. It's as simple as that," says Mr Pelser.

Ironically, many of those doing best out of the industry confess in private it rests on a mixture of colonial tradition – the assumption that the white boss needs a guard at the gate to advertise his importance – and a gross misconception of the risks of living in Africa.

Mr Rocky Hitchcock, a former British officer responsible for training at the KK group, a company with branches in Mombasa and Nairobi, rates the Kenyan capital as about as dangerous as London. Despite the proliferation of rapid-response cars in the well-heeled suburbs of Nairobi, he believes it is far safer than Washington, New York or Moscow.

"The conception is completely out of sync with reality. Violence against expatriates and whites is much, much lower than violence between Africans. There are still little old ladies living alone on their farms and not being bothered," he says.

The sentiment is echoed in Zaire and Angola, where chaos, the security experts say, does not necessarily involve risk to life and limb. Because they have been so isolated from the rest of the world, Luanda and Kinshasa have been spared the kind of organised, drugs-related crime seen in Johannesburg or Lagos.

"Luanda isn't that dangerous yet. If you get car-jacked, you stand a good chance of not being shot," says one security manager. "The whole industry is based on fear and misconceptions. But we're happy to feed off your paranoia."

NEWS: WORLD TRADE

Daewoo sets aims for Polish offshoots

By Christopher Bobinski in Warsaw

Daewoo, the South Korean industrial conglomerate, expects to export $1.5bn worth of cars and components a year from its Polish subsidiaries within three years, according to Mr Kim Woo Choong, the group's chairman.

Speaking at a Korean investment seminar in central and eastern Europe yesterday, he said Daewoo also plans to increase sales throughout the region as the buying power of the domestic population increases.

The company has pledged to invest around $2bn in Poland, in addition to buying vehicle plants in the Czech republic and Romania and building a plant worth nearly $700m in Uzbekistan.

"We will retrieve much of this capital investment by going public with stocks on local capital markets. And we will reinvest this capital," he said of plans to float some of his local operations beginning in the year 2000.

The Korean company is to reinvest profits to help finance the $5bn it plans to spend on developing local operations. This, Mr Choong said, made it "different from some multinational firms" whose operations "suggest something not very different from an extension of former European colonialism". "Short-term, quick profits are not our goal, he said.

Daewoo's immediate plan is to quadruple its worldwide output of motor vehicles to an annual 2m units within four years. Mr Choong denied press reports that his company was interested in taking a stake in Poland's shipbuilding industry.

The Polish government is looking for an investor to purchase a controlling share in the ailing Gdansk shipyard. Daewoo is considering an investment in the Sedzimir steel works near Krakow in southern Poland which supplies sheet steel for the car industry.

More multilateral accords urged as fears mount over impact of bilateral deals on CAP

EU farm ministers warn on trade pacts

By Caroline Southey in Otranto, southern Italy

EU agriculture ministers yesterday warned that the EU's policy on trade liberalisation pacts could undermine the Common Agricultural Policy and called instead for a more cautious approach to free trade areas.

Underlying their concerns over FTAs, a majority of farm ministers agreed that the EU should put greater emphasis on pursuing trade liberalisation through multilateral avenues rather than bilateral deals.

The ministers, aware that FTAs are negotiated by foreign ministries rather than agriculture departments, said they would insist that farm ministers play a greater role in setting the terms of any future FTAs. Mr Walter Luchetti, Italy's agriculture minister, who hosted a two-day informal gathering of EU farm ministers in Otranto, said: "Agricultural organisations in the EU must have input into any decisions."

He warned that the EU risked "destroying its agricultural economy and the livelihood of farmers" if the "combined impact of these concessions" were not compatible with the CAP.

Mr Franz Fischler, EU commissioner for agriculture, said the ministers were "not talking about how we can stop any FTAs but how the EU could get the best advantage out of the accords".

He warned against the danger of successive FTAs forcing the pace of CAP reform. "If the EU policy is to be changed then we should do it for our own reasons and on a well planned, thought-out basis. We should not have our policy changed through the back door by FTAs or WTO agreements," he said.

Mr Fischler said emphasis should be placed on pursuing trade liberalisation through the multilateral route. "Bilateral aims have to be secondary to that. It does not make much sense to cover the whole world with bilateral arrangements. It would be better as a whole package under the WTO."

A trade official said EU farm ministers were most concerned about the impact foreign products would have on domestic markets. "Once you start introducing elements over which you don't have control, you open up a Pandora's Box," the official said.

Fischler: trade liberalisation through multilateral route Reuter

"The EU might find that it can no longer afford to pay out enough to continue giving EU farmers a competitive advantage over third country imports."

Mr Fischler stressed the dangers of basing negotiations on present production patterns in third countries, pointing out that within a short time, South Africa had moved from being a net importer of grain to a net exporter. "In certain markets, you need only small quantities imported to completely upset a market."

Patten appeals for China MFN status

By John Ridding in Hong Kong

Mr Chris Patten, governor of Hong Kong, yesterday urged the US to renew China's Most Favoured Nation trading status, arguing refusal would deal a heavy blow to the territory as it prepares to return to Chinese sovereignty.

Speaking in the US, Mr Patten said rejection of MFN status this year would come when "Hong Kong is particularly vulnerable to shocks to confidence in its future and we can least afford a setback to our economic fortunes".

According to Mr Patten, revocation of China's trading status would cost about 90,000 jobs in the territory and reduce its growth rate, forecast at 5 per cent this year, by up to half.

In a speech to the Heritage Foundation, the US think-tank, Mr Patten rejected the argument that Hong Kong's interests and the preservation of its political and social institutions would be served by attaching conditions to MFN renewal.

He warned that conditions could create a "double jeopardy" for Hong Kong. "It is not a good bargain to say that on day one they may lose their Bill of Rights or legislature. On day two, as a result, they may lose their job."

Lobbying for MFN renewal tops Mr Patten's schedule for his week-long US visit. But he has sought to win US commitments to support the territory's autonomy and rule of law after its handover to China in July 1997.

He said the US had strong economic interests in Hong Kong, citing direct investments in the territory of at least US$12bn.

Hong Kong provided a test case for Beijing's stance in the international community, and its economic freedoms and political institutions were in line with US aspirations for the region.

Coca-Cola's investment to double in central Asia

By Kevin Done, East Europe Correspondent

Coca-Cola, the world's largest soft drinks producer, is to double its capital investment in central Asia and the Caucasus to $200m by the end of 1998.

The group, together with its regional bottling partners, is opening plants this week in Kazakhstan, Kyrgyzstan and Uzbekistan as part of a five-year programme aimed at creating a modern soft drinks production and distribution system throughout the region.

Plants are also being developed in Azerbaijan, Armenia and Turkmenistan, which will join existing facilities in Tbilisi, Georgia and Tashkent, Uzbekistan.

The Coca-Cola system – the US group and its bottling partners – has become one of the leading foreign investors in eastern Europe and the former Soviet Union. The company has succeeded in overtaking its arch rival PepsiCo to become the leading soft drinks producer in the region.

Mr Neville Isdell, Coca-Cola senior vice-president, said the drive into central Asia would increase the group's total investment in the former eastern bloc to between $2.1bn and $2.2bn since the fall of the Berlin wall in 1989.

The group yesterday opened a $15m bottling plant in Almaty, capital of Kazakhstan. This is to be followed today by the opening in Bishkek, capital of Kyrgyzstan, of a $16m plant.

In Uzbekistan, which has the largest population in central Asia at 23m, the group is opening a second plant in Tashkent tomorrow, and is planning to double its investment in the country to $40m within a year.

"These countries are the next frontier of opportunity for soft drinks," said Mr Isdell. "Economic reforms and burgeoning consumer demand are making these high-potential markets." The region of central Asia and the Caucasus has a population of around 72m.

Coca-Cola's east central Europe division achieved volume growth of 25 per cent last year, and accounted for 18 per cent of sales in the group's greater Europe region.

The group is using Turkey as the springboard for its expansion into the Turkic language countries of central Asia through a regional office in Istanbul.

Coca-Cola has formed an alliance with the Anadolu group of Turkey, an industrial concern with interests in beer, soft drinks, cars, finance and stationery, and which includes Efes, the biggest Turkish brewer.

Anadolu has the Coca-Cola bottling rights for Turkmenistan, Kyrgyzstan, Kazakhstan, Azerbaijan and parts of southern Russia.

Last month it bought a 33.3 per cent stake in four Coca-Cola companies in Turkey, where the new joint venture is planning to invest $400m over the next 10 years.

WORLD TRADE NEWS DIGEST

Thailand cuts luxury tariffs

The Thai government yesterday approved a series of tariff cuts on 13 groups of luxury consumer goods to discourage Thais from travelling abroad on shopping sprees. These trips are a big factor in Thailand's booming current account deficit, which last year stood at 8.1 per cent of GDP. Tariffs on perfume, cosmetics, clothing and shoes will be cut from as high as 45 per cent to 10 per cent. Tariffs on leather bags and belts will be reduced from 65 per cent to 20 per cent.

Tariffs on fur coats, dinnerware, crystal, spectacle frames and lenses, cameras, watches, pens and lighters will be reduced from as high as 55 per cent to 5 per cent. The government estimates it will lose about Bt1.18bn ($47m) in revenue.

Some economists have argued that the potential gains from this measure may be exaggerated, as an estimated 25 per cent of overseas trips taken by Thais are "incentive tours" given free by employers as bonuses. In addition, a larger portion of the Thai population will now be able to afford imported goods.

Ted Bardacke, Bangkok

Italian-US satellite contract

Hughes Olivetti Telecom (HOT), the Italian-US satellite telecoms joint venture, has won a contract to supply VSAT (very small aperture terminal) satellite services to Volkswagen dealers in Europe and to DAT, the German vehicle services group.

Olivetti said the contract had been agreed with ACS, the company which runs satellite services for Volkswagen dealers and for DAT, and would be worth more than $25m. HOT will implement a satellite network of 3,000 terminals for DAT over the next two years, and aims to link as many as 6,000 European VW dealers, starting in Germany. The joint venture now claims to have 30 per cent of the European market for VSAT services.

Andrew Hill, Milan

Hopewell gives transit details

Mr Gordon Wu, Hopewell Holdings chairman, submitted a detailed implementation schedule and financing plan for his company's $3.2bn mass transit system in Bangkok yesterday, meeting a government deadline for receiving details of the much-delayed project.

Mr Wu promised the first three stages of the project, totalling 44km, would be fully operational by December 1999, with the elevated highway portion of the system ready 18 months earlier, in time for the 1998 Asian Games in Bangkok. The western and southern routes of the system have been postponed. The financing plan included equity from Hopewell, bank loans and an eventual listing on the Thai stock exchange.

Ted Bardacke, Bangkok

Malaysia eases broker curbs

Malaysia will allow foreign insurance brokerage companies to set up businesses at the International Offshore Financial Centre (IOFC) on Labuan island off the coast of Borneo island. The brokers will be allowed to undertake insurance activities in Labuan with insurance companies that are not registered under the Offshore Insurance Act 1990, Mr Anwar Ibrahim, deputy prime minister, said yesterday.

Money brokers not licensed under the Banking and Financial Institutions Act 1989 in Malaysia will also be allowed to operate in the IOFC. The measures are part of government's efforts to generate more interest in offshore insurance activities at the IOFC.

Reuter, Kuala Lumpur

Australia may sell pensions business

By Nikki Tait in Sydney

Australia's conservative coalition government yesterday opened up the possibility of privatising the Commonwealth Funds Management business, which handles about A$8bn-worth (US$6.4bn) of pension fund money for public servants.

The sale proposal was considered and approved at a joint party meeting in Canberra yesterday, and could clear the way for legislation to be introduced into parliament later in the present session.

Mr John Fahey, finance minister, said a study would ascertain the extent of the commercial interest in CFM. The sale of CFM remained subject to this, and the framing of the necessary legislation.

"If the sale proceeds, it would be a final step for CFM in transition from statutory body to government business enterprise to private-sector company."

CFM's clients include the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme, but it manages pension fund money for Telstra, the large telecoms group, and Australia Post. Telstra is at present wholly owned by the federal government, but the coalition is seeking partial privatisation here, too.

Fund management businesses are usually valued at 1-2 per cent of sums under management, suggesting CFM could fetch around A$100m. Given the determination to cut the size of Australia's public sector, doubts have been raised over CFM's future prospects. In 1994-95, it made a A$7m profit, but this may be less in the current year.

The CFM move marks the second proposed sale of a public sector fund management business within a month. In April, the New South Wales Labor government said it was splitting its State Authorities Superannuation Board, responsible for around A$15bn of pension fund money, into separate administrative and fund management arms.

Manila-IMF pact on money targets

By Edward Luce in Manila

The Philippines has reached accord with the International Monetary Fund to rein back drastically the country's money supply targets, Mr Gabriel Singson, governor of the Philippines central bank, said yesterday.

The agreement, to be finalised next month at the IMF's last annual review of the Philippine economy before the country graduates from the fund's "exit" programme in June 1997, would fortify the country's standing on the financial markets, Mr Singson declared.

Under the revised conditions of the $684m programme, the target for Philippine broad money (M3) growth would be cut 30-35 per cent. The government agreed "for what extra comfort value it may give to financial markets that a prudent monetary stance be maintained."

Last year, the IMF generated controversy when it permitted the Philippine government to extend M3 growth ceiling to 30 per cent per year, a figure viewed as inflationary by international economists.

The government, which blamed the subsequent jump in inflation from 8.4 to 11.8 per cent on higher rice prices, had strongly hinted it would withdraw early from the IMF programme if its demands were rejected.

Under next month's revised package, which will also include a review of the country's inflation performance and its international reserve levels, Manila's M3 growth target will be cut from 30 to 18-22 per cent.

The IMF, which noted at the weekend that inflation fell to 11.3 per cent in April, will also press the Philippines to enact a tax modernisation bill this year.

The IMF's line, which maintains fiscal reform is the most important remaining plank of the government's economic reform programme, was bolstered by an ING Barings report last week which predicted the Philippine economy would relapse to its former "boom-bust" cycle if the tax bill foundered.

The bill, under attack from powerful business interests, seeks to broaden and simplify the tax base and generate budget surpluses.

"For the Philippines time is running out," the report warns.

"A larger deficit would be likely to generate capital flight, contraction in domestic liquidity and further increases in interest rates: back into the vicious circle, but with the added element of currency volatility."

The Philippine government plans to assure the IMF that the tax system will be in place before the exit programme expires next year.

Jiang tries to be man for all seasons

His efforts are not necessarily striking a chord, writes Tony Walker

Like his counterpart Mr Bill Clinton in the US, China's President Jiang Zemin appears to be running harder for office these days, though he will not be obliged to suffer the inconvenience of seeking a popular mandate.

In a series of policy statements since late last year, he has sought to define his leadership but, in efforts to give substance to his claims, has risked appearing over-anxious and inconsistent. . . as if he has wanted to be "all things to all factions", as a Chinese journalist put it.

His latest policy statement at the weekend in which he urged state enterprises to speed reforms was couched in language which sat oddly with earlier cautious pronouncements about the need to preserve ideological purity, even at the cost of economic progress.

"In the process of promoting reform of state enterprises, we must encourage exploration, permit experiment, liberate our thinking. . . boldly experiment and charge forward," Mr Jiang said in an address to officials in Shanghai.

But in January, Mr Jiang was telling senior colleagues: "We must strictly ban the cultural trash poisoning the people and social atmosphere. . . we cannot sacrifice culture and ideology merely for a short period of economic development".

China's Jiang Zemin: seeking to strengthen his grip on power AP

Other statements have veered between a desire to present himself as custodian of the Communist party's traditional values, and to espouse the philosophy of Mr Deng Xiaoping, China's ailing patriarchal leader and bold architect of reform.

China's president, who will be 70 in July, was also pictured earlier this year wearing a Mao suit, a high-necked military-style tunic favoured by earlier generations, to underline, it seemed, his commitment to the past.

Mr Jiang's meanderings between party orthodoxy and reformism suggest to some not strength but continuing weakness. After nearly seven years in the job, he does not yet appear to have stamped his authority on party or country despite a propaganda drumbeat extolling his virtues as the "core" of a collective leadership.

"There is certainly a sense that Jiang, in his efforts to be all things to all people, seems at times to be inconsistent," one western analyst said.

"But that has been his approach since 1989 and corresponds with the fact that from the start he has been operating from a weak power base and is therefore obliged to appeal to as broad a constituency as possible."

Mr Jiang, in his efforts to strengthen his grip on power, appears in the eyes of many to have made the right moves and, perhaps more important, to have avoided serious errors.

But this has not dispelled lingering reservations about his ability to cast off the mantle of transitional or stopgap leader. He came to power after the 1989 Tiananmen Square pro-democracy agitation as a compromise choice and someone whose hands had not been soiled by the crackdown in which dozens of students were killed or maimed.

Mr Jiang's task is not being made easier by the long interregnum that has accompanied Mr Deng's gradual fading from the scene.

Mr Deng, 91, has not been seen in public since early 1994 and is not expected to re-emerge, but the fact he is still alive, if only with the aid of life-support systems, means his successors are constrained.

"The uncertainty surrounding Deng's health is a heavy burden for his successors," an analyst declared.

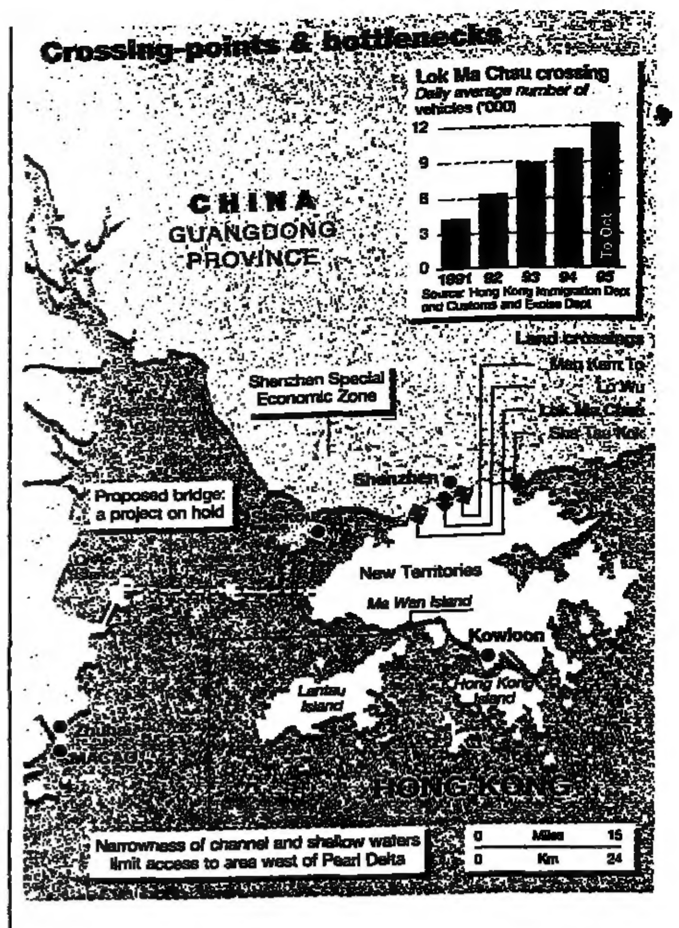
"While he lives, they are not seen as being able to stand on their own feet. An arrangement like the present one begins to fray at the edges if it goes on too long."

Mr Jiang faces no apparent challenges to his leadership; tensions among China's leaders are kept from view especially during a delicate transition, but it would be surprising if there were not differences.

China's president, who is also secretary-general of the Communist party central committee and chairman of the Central Military Commission, is engaged in a sense in a protracted campaign to shore up his position for a party congress to be held late next year which will endorse new leaders to rule beyond the year 2000.

Mr Jiang, in stepping up his campaign for office, is not leaving anything to chance, which is probably wise, given lingering reservations about his leadership.

"While the surface may appear placid," another analyst said, "you can be sure things are bubbling away underneath and that leadership issues are not absolutely resolved."



A bridge too far for China's push on infrastructure

John Ridding looks at problems of planning links in the south of the country and to Hong Kong

There is a bridge under construction between the special economic zone of Zhuhai in southern China and Qi Ao island, a speck off the mainland's coast. Local authorities want it to form the first step of a grandiose 60km link with Hong Kong.

But when the project was spawned, a few years ago, the authorities across the border were not informed.

"Without facilities on our side, it would represent the largest linear car park in the world," says Mr Bowen Leung, Hong Kong's secretary for planning, environment and lands.

The project, now on hold, is an extreme case of the infrastructure craze that has gripped southern China, bringing plenty of projects, but not much planning.

'Debt finance is the biggest problem at the moment'

Both sides, however, are now seeking to take a grip. Planning officials are exchanging designs and proposals, Britain and China have established the Infrastructure Co-ordination Committee, a government level body to evaluate big projects and eliminate conflicts, while trial works are being jointly undertaken by Chinese and foreign partners.

"We need to develop co-operation between the two, particularly in transport," says Mr Wang Wengui, director of the transport bureau of Shenzhen, another of the special economic zones adjacent to Hong Kong.

"It is a matter of concern for our two governments, but also for business."

Such concern stems from the growing strain on existing transport links. Action is needed to prevent bottlenecks from curbing the rapid economic development in the area and to enable the continued integration of the Hong Kong and southern Chinese economies.

Hong Kong companies now employ more than 3m people in Guangdong province, while the lion's share of bilateral trade – which totalled HK$640bn ($82.8bn) for the first eight months of last year – passes between the province and the colony.

Planning is needed not just to avoid bridges turning up unexpectedly, but also because China's anti-inflationary policies have forced a more targeted use of resources.

Of the four broad categories of infrastructure covered by the ICC – air traffic control, railways, roads and bridges and marine channels – it is the last two that present the most pressing challenge.

The average number of vehicles passing through Lok Ma Chau, one of the four existing crossing points, has risen from 4,200 per day in 1991 to about 13,000.

There has been a near six-fold increase in the number of container lorries making the crossing.

"We must have an additional vehicle crossing point," says Mr Leung, head of the Hong Kong team on the ICC.

There is also a growing need for a new marine channel to the west of the Pearl river delta, an area where rapid economic growth is under way but to which access is limited by shallow water and the narrowness of the channel between the island of Ma Wan and the New Territories in Hong Kong.

There are concrete proposals to address the constraints. Concerning the road link, there are two broad schemes on the table – a road and bridge from Shenzhen, or the link from Zhuhai.

On the water, proposals centre on the widening and deepening of the channel to the port of Shekou.

But the planners face a tough task. "These are big strategic projects," says one project financing executive in Hong Kong, "so there are powerful vested interests, notably on the Chinese side, about where and when they are built.

"There is rivalry between Shenzhen and Zhuhai and even within them. Ultimately decisions will have to be taken at the very top."

An emerging constraint in Hong Kong is a more vociferous environmental lobby. A new channel from Shekou to the west of the delta region would involve substantial dredging. But there are public concerns about the ecological impact, such as the effect on the Pearl river dolphins.

A bigger factor is the financial consideration.

China's tight monetary policy, while successful in reducing inflation, has squeezed the funds available for construction and infrastructure projects.

'Trade is growing much more quickly than decision-making'

"Debt finance in China is the biggest problem at the moment," says one project finance executive.

"A lot is going ahead, but it is often on the basis of large chunks of equity."

China has adopted a more flexible stance towards BOT schemes, in which investors build and operate projects for a fixed period of time before transferring them back to government ownership.

Mr Gordon Wu's Hopewell Holdings has completed parts of a superhighway linking the main cities in the Pearl River Delta based on a BOT scheme. However the project has proved a struggle, in terms of construction and financing.

Nor do BOT projects resolve one of the main concerns of international investors, namely the ability to exchange revenue streams for foreign currency given the non-convertibility of the Chinese yuan.

"There are a lot of issues which need to be addressed," says one transport executive.

"The problem is that trade looks like growing much more quickly than the decision-making process."

ASIA-PACIFIC NEWS DIGEST

Thailand may buy more power

Thailand, in the midst of initiating Asia's biggest private electricity supply programme, is considering boosting the amount of electricity it plans to buy from private producers, Electricity Generating Authority of Thailand (Egat) officials said yesterday.

The producers would be those recently shortlisted in the second stage of bidding by independent power producers, they added. The next round of bidding, for contracts to supply electricity from 2003 onwards and originally scheduled to begin this June, might be delayed until next year.

An extra 1,400-2,800MW are likely to be bought between the years 2000 and 2002 on top of the 2,800MW scheduled to be bought by Egat. These extra purchases might be extended into 2003 to make up for the proposed delay in the next bidding round.

Immediate beneficiaries of this scheme, still to be approved, would be two consortia: BLCP, made up of the Thai companies Banpu and Loxley, PowerGen of the UK and CRA of Australia; and BW Power, led by Hemaraj of Thailand and Bechtel of the US. A 12 per cent increase in projected electricity demand in 2002 and low supply prices offered by private bidders were cited as the main reasons for the proposed increase in power purchases.

Ted Bardacke, Bangkok

Australia arms rules released

Australia's federal government yesterday released proposals for stricter controls on gun ownership and registration, including a ban on ownership, sale and importation of automatic and semi-automatic weapons. These would be allowed only for military and police purposes, and for professionals licensed for contract killing of feral animals.

The proposals follow the Port Arthur killing 10 days ago of 35 people by a lone gunman. The rules will be presented to state and territory police ministers on Friday. The government hopes to persuade the states, which have responsibility for gun control at present, to enact uniform laws.

The proposals outline 10 areas where the federal government wants minimum standards, including nationwide firearms registration, a recording of all sales and control of mail-order sales.

Nikki Tait, Sydney

Manila drops PepsiCo charges

The Philippine Justice Department yesterday dismissed fraud charges against nine PepsiCo executives over a promotional numbers game. Mr Ramon Liwag, justice under-secretary, ordered state prosecutors to withdraw the charges, saying a review did not find enough evidence against them.

The game, launched by Pepsi in 1992, offered up to 1m pesos ($38,000) to holders of bottle caps marked with three-digit winning numbers. Pepsi announced 349 as the winning number for the prize but withdrew the announcement, saying it was a computer error and the prize for the 349 combination was much lower.

About 500,000 Filipinos claimed they had won and demanded the company pay them each 1m pesos.

Reuter, Manila

Jakarta businessman escapes

Indonesia ordered border points on alert yesterday after businessman Eddy Tansil escaped from a Jakarta jail where he was serving a 20-year term for a $447m loan scam. Mr Utoyo Usman, justice minister, said inquiries indicated Mr Tansil's escape may have been helped by prison guards, Antara news agency reported.

Mr Tansil was sentenced to 17 years in 1994 for taking part in the scam against the Indonesian Development Bank (Bapindo), between 1989 and 1991. He appealed, and another three years was added to his sentence. Five former Bapindo executives, including four ex-directors, were jailed for four to nine years for their involvement.

AFP, Jakarta

Democratic leader threatens procedural delays on petrol vote unless the minimum wage is scheduled

Senate to vote on repealing petrol tax rise

By Jurek Martin in Washington

Presidential politics returned to Congress with a vengeance yesterday, with repeal of the 1993 petrol tax increase, a raise in the federal minimum wage and the constitutional amendment to balance the budget chief topics in some complex legislative battles.

The most likely development was that the Senate would agree to suspend the 4.3 cents a gallon tax for the balance of the year as a gesture against the recent surge in pump prices, up about 20 cents a gallon since February.

Senator Tom Daschle, the Democratic leader, has conceded that Senator Robert Dole, the majority leader and presumptive Republican presidential nominee, has the votes to pass the measure.

But he continued to threaten procedural delays unless and until Mr Dole agreed to schedule a vote on the minimum wage, last raised to its current $4.25 an hour level in 1989. On Monday the majority leader flatly refused to couple higher minimum wages with the petrol tax repeal.

For symbolic purposes Mr Dole wanted action yesterday, designated by conservatives as Tax Freedom Day – based on the calculation that the average American will have earned enough to pay all federal, state and local taxes for the rest of the calendar year.

But Mr Dole was not expected to unveil until later in the day how he proposed to compensate for the estimated $3bn in lost revenues for the US treasury, though tapping a special insurance fund covering the savings and loan sector was a favoured option.

The Democrats in the Senate were yesterday trying to attach the minimum wage to a piece of Republican election year mischief – a bill setting up a special fund to pay for the lost earnings of the White House travel office staff fired in 1993, in the Republican view allegedly at the instigation of Mrs Hillary Clinton.

Mr Dole is also promising to schedule a vote – possibly next week – on the balanced budget amendment which failed by one vote in the Senate last summer having already passed the House. As an inducement to Democrats he is considering adding the condition that social security for older Americans be protected from any budget cutting exercise.

However, the Democrats are not in the mood to do Mr Dole's presidential campaign any favours. On the budget amendment, they may be less nervous of the political consequences of voting against it than a year ago when the Republicans were clearly dominant. They also have added a new senator, Mr Ron Wyden from Oregon.

In the House, Congressman Newt Gingrich, the Speaker, has promised a petrol tax repeal by the Memorial Day holiday weekend later this month, which marks the beginning of the peak summer driving months. But Mr Gingrich, acknowledging his plummeting standing, is now taking a public back seat to his number two, Congressman Dick Armey of Texas, the majority leader.

Mr Armey, a rambunctious conservative, offended Democrats by declaring that the easiest way to pay for a gas tax repeal was to cut the budget of the education department.

Venezuela stems the bleeding but surgery is still to come

Raymond Colitt assesses the first weeks of an economic reform plan

Even by the pessimistic standards of Venezuela's President Rafael Caldera, the "period of discomfort, adjustment and disturbance" he warned of when he unveiled economic reforms last month has been mild.

But it is early days yet, and independent economists are warning that the hardest part is to come, even if the initial shock is over.

The bolivar, after falling 40 per cent *immediately* after being freed from two years of exchange controls, has recovered about 8 per cent against the dollar and the capital flight that many feared did not materialise.

On April 15 President Caldera announced a stabilisation programme introducing market-oriented reforms intended to reduce the country's budget deficit from 6.1 to 2 per cent of gross domestic product and to pave the way for a $1.4bn stand-by agreement with the International Monetary Fund. Interest rates were liberalised and petrol prices increased nearly six-fold.

A previous attempt to raise petrol prices – in 1989 – provoked protests and looting, during which more than 300 were killed in the capital Caracas.

A preliminary accord with the IMF that set free $3.4bn in multilateral aid has, through reassuring investors, also reopened the doors to international capital markets, alleviating Venezuela's immediate financial woes. Multilateral money is thus now available to finance the 1996 budget gap and Venezuela is likely to be able to pay off close to $900m in arrears to the so-called Paris Club of official creditors as well as $545m in arrears on internal debt.

Yet the government's principal challenge still lies ahead. "The government has presented a plan to stabilise the economy, now it needs one to restructure it," said Mr José Corral, an analyst with Santander Investment in Caracas.

The recessionary impact of the rise in interest rates and taxes, although mitigated by emergency funds, has yet to set in.

The patience of Venezuelans, most of whom have seen their real income eroded by rampant inflation, will depend on the government's ability to rekindle economic growth and bring down unemployment, officially estimated at 12 per cent. Unions say it is 15 per cent.

However austere the IMF measures may appear, they are "only a bandage on a large wound", said Mr Steve Hanke, former economics adviser to the Argentine government. He added that "the Venezuelan economy continues to have serious problems" which could take as much as a decade to resolve.

In order to improve its medium-term creditworthiness, says Standard & Poor's associate director Mr Roger Scher, Venezuela requires a structural overhaul of its public finances, including a cut in the public pay roll, reform of severance payments, and privatisations.

The renewed access to international capital markets has also raised prospects of restructuring a significant part of Venezuela's $32bn public debt, which consumed nearly a third of this year's budget in interest and capital payments. According to analysts at Merrill Lynch in New York, external debt payments in 1997 will exceed $3.5bn.

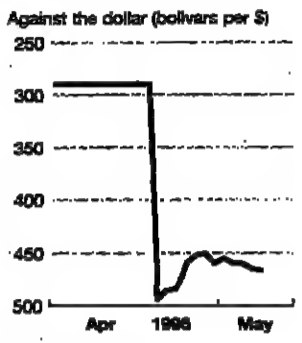
Long-term solutions will be harder to come by. When Mr Teodoro Petkoff, the planning minister who was instrumental in pushing through recent reform efforts indicated for the first time that Venezuela's public sector would have to shed as much as half a million of its 1.3m employees, he also said it would not happen during Venezuela's economic convalescence.

The "monstrous public sector", which is the result of "35 years of clientalism", he said, could not be reduced while Venezuela was undergoing the effects of an austerity programme. The public sector union, already angered over wage increases below inflation, is set to defend worker privileges including an anachronistic severance payment regime, one of the principle concerns among foreign investors.

While the government is talking to labour unions on the home front, Mr Matos Azocar, the finance minister, is to travel to Europe to present the country's economic agenda to foreign investors.

Venezuelan bolivar

Against the dollar (bolivars per $)



Source: Datastream

US presidential candidates to get free air time

By Patti Waldmeir in Washington

US presidential candidates are to be given free television time to address American voters in the final days before the November election, the first time that candidates will make unpaid party political broadcasts to the nation.

CBS, one of the three largest broadcast networks, says it will give candidates airtime during news programmes, but will keep them off the air during prime-time entertainment hours. Mr Walter Cronkite, the legendary CBS anchorman, has spearheaded the campaign to introduce the kind of party political broadcasting which is common in the rest of the world, but previously unknown in America.

Mr Cronkite heads a coalition of public interest advocates who believe that the way US television covers presidential elections – by airing short "soundbites" of candidates' speeches, or longer discussions mediated by journalists – distorts political debate. They wish to put candidates directly in touch with voters by removing media and advertising intermediaries.

At least initially, the candidates are likely to be allowed to speak for only two minutes on most major networks. They will probably be allocated time nightly for the last two weeks of the campaign. Those who champion the issue of free air time hope that, as American voters develop a tolerance for political broadcasting, networks will extend that time to 5 minutes or more.

But the denial of prime-time slots to candidates is also a blow to those who think party broadcasts will revitalise the political process. Part of their goal is to reach voters who have become disillusioned with politics, many of whom do not watch news programmes.

CBS is the first of the big networks to announce free air time, but NBC and ABC are considering doing the same. Mr Rupert Murdoch, chairman of News Corporation which owns the Fox television network, has already offered a total of one hour free airtime to the main candidates on the election eve, to be broadcast during prime time. PBS, the public broadcasting network, has also agreed to offer free time, though no details have yet been fixed.

In the 1992 presidential election campaign, candidates used radio talk shows to try to reach voters without the intervention of journalists, and for extended periods.

EU halts talks on Cuban economic co-operation

By Pascal Fletcher in Havana

The European Union, citing Cuban inflexibility over political and economic reforms, has decided not to proceed for the moment with formal talks on a possible economic co-operation accord.

The decision, announced in Brussels yesterday, is a setback to Havana's efforts to strengthen institutional and economic links with Europe in the face of increased pressure from the US, which recently tightened sanctions against the communist-ruled island.

"We are looking for a change of heart from the Cubans," a spokesman for Mr Manuel Marin, who is responsible for Latin American Affairs at the European Commission, told reporters in Brussels. The comments followed talks in Brussels yesterday between Mr Marin's deputy, Mr Miguel Anacoreta, and a visiting Cuban Deputy Foreign Minister, Mrs Isabel Allende.

In Havana, a Cuban Foreign Ministry spokesman said yesterday's meeting had been "fruitful" but did not respond directly to the Commission spokesman's comments.

The Commission indicated the Cuban side needed to show more flexibility towards European proposals for political reforms and increased economic liberalisation to accompany a co-operation agreement. Cuba is the only Latin American nation which does not have such an accord with the EU, although several EU member states such as Spain, France, Italy and Britain have trade and investment relations with the island.

The Commission spokesman said informal dialogue with Havana would continue, as would the EU's humanitarian aid to the island. "We can get back together at any time," he added.

Mr Marin visited Havana in February and had a long meeting with Cuba's President, Mr Fidel Castro. But he left without being able to obtain any firm undertakings from Mr Castro that his government was willing to relax its one-party communist rule.

European diplomats said they understood Mr Marin had specifically sought reforms to Cuba's penal code, which bars political opposition, and an expansion of the private sector in Cuba's economic reform process.

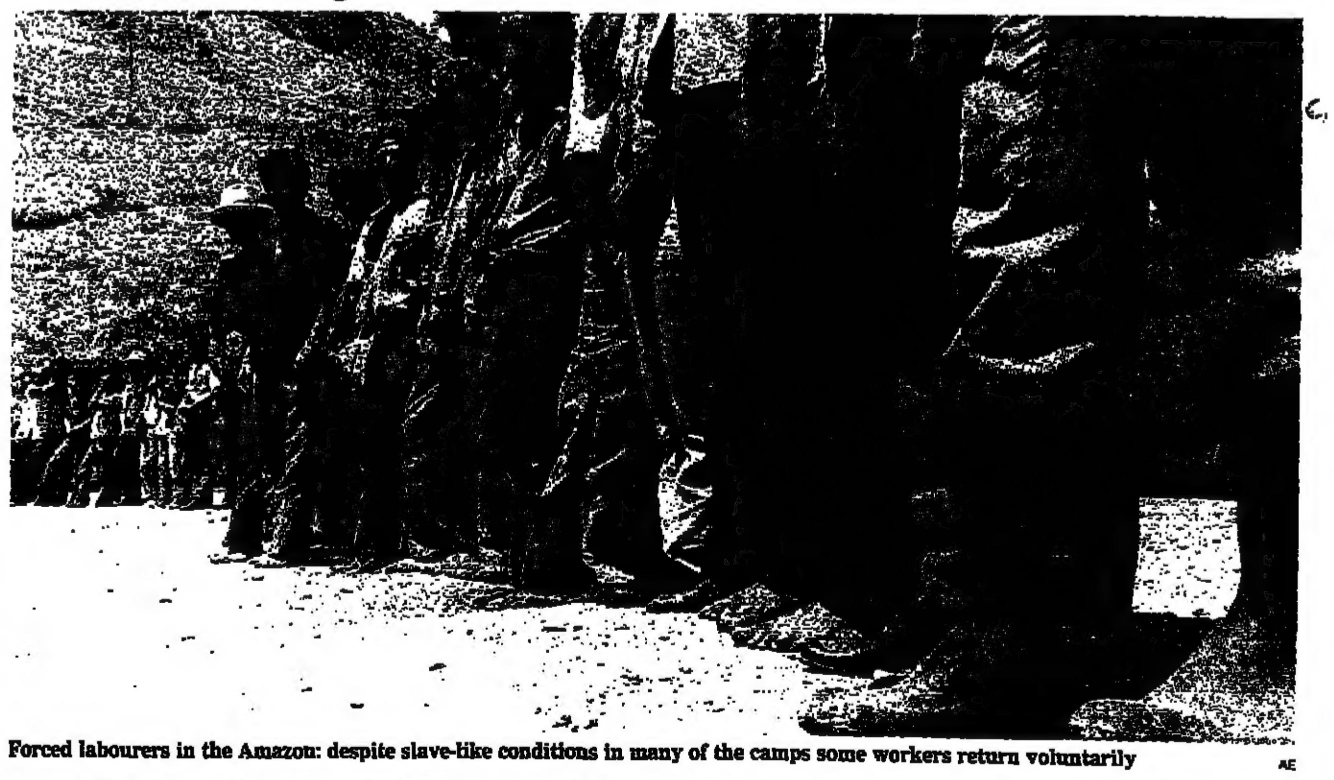
The Cuban government has always publicly insisted that it will not accept any pre-conditions for negotiations with the EU.

European disenchantment with Cuba increased further after Mr Marin's visit, first because of a Cuban government crackdown against Cuban political dissidents who tried to hold a political meeting on the island on February 24, and then because of the shooting down by Cuban MiG fighters on the same day of two small US aircraft crewed by Cuban exiles.

Since then, major speeches by President Castro and his brother, Defence Minister General Raul Castro, have appeared to signal a move towards ideological retrenchment by the Cuban government.

Modern-day slavery in the Amazon

Angus Foster on Brazil's campaign to combat rural labour abuses



Forced labourers in the Amazon: despite slave-like conditions in many of the camps some workers return voluntarily AE

The Brazilian authorities invaded a farm deep within the Amazon state of Rondônia last month. They found exactly what they were looking for but hoped not to find – nearly 200 people who officials claim were modern-day slaves, being forced to work for no pay and prevented from leaving.

The case, one of many in recent years, highlighted the problems caused by poverty and development in many poor regions of Brazil, as well as the government's difficulties in addressing the issue.

"Most of the workers we freed have lost all their references, they have no documents, no families and no home. They are the lost remains, they've lost all their citizenship," says Mrs Valdarez Monte Rodrigues, the labour ministry official who headed the Rondonia raid.

Slavery was abolished in Brazil in 1888. But human rights and church groups claim many workers continue to be subjected to slave-like conditions. They say debt bondage, where employers "buy" workers by assuming their debts, is common.

Assessing the true scale of the problem is difficult because workers are usually intimidated into silence. The Catholic church's land commission (CPT) recorded 20 or more cases each year between 1991 and 1994, and says the number of people held under slave-like conditions in 1994 reached more than 25,000. Most of the cases involved forest clearance and sugar cane cutting.

According to a recent book on Brazil published by Anti-Slavery International, land clearance in the Amazon has involved slave-like labour ever since the government started offering incentives to develop the region in the 1960s.

Workers are usually persuaded to go into the forest by promises of good wages. Others are forced to go when labour contractors, known as "gatos", pay off their hotel or food bills. When the men arrive in the area to be cleared, all their food and medicine expenses are subtracted from their salary. If the gato is honest, workers receive the balance of their salary while they are working or when the job ends.

However, in cases like those recorded by the CPT, workers soon find out they have been tricked. There are regular complaints that wages are cut, or never paid, living and sanitation conditions are poor and camps are often patrolled by armed guards. If workers ask to leave, they are told they have not worked long enough to pay off their travel costs. According to the CPT, there are regular accusations of violence, and even murder.

The most recent case, discovered on a farm near the small town of Vilhena near the border with Bolivia, was a significant success for a new government campaign against rural labour abuses. But it also showed that the problem is related to Brazil's poor record on combating poverty and improving education, suggesting a real solution is far away.

The labour ministry officials and police took out 188 people from the farm, and say only three workers wanted to stay when given the choice. The authorities also discovered that two people had died from work accidents since the group arrived at the end of January. In the two months they were there, none of the workers received pay.

"In the store house [where the workers have to buy all food] they had noted down only what people consumed, not the price – that's usually decided later, when it comes to closing the accounts," according to Mrs Rodrigues.

Despite the authorities' action, many of the workers who left the farm remain wary about talking. One man, who did not want to be named, said the farm's owner or the gato, known as Donizete, could make things "complicated" if anyone complained. "A lot of us wanted to leave from the start, when it was obvious we'd been tricked. But how?" he says.

As a sign of the problems the authorities face, some workers now say they did not want to leave. Late last month about 20 of them were waiting to go back into the forest, staying at a boarding house run by "Carlaõ", a typical location for gatos to buy workers' labour by paying off their bills.

Mr Gelsoninho Anunciação, another of the workers released after the raid, says working in the forest, even for no salary, is the best job on offer. "If it wasn't for people like Donizete and Carlao, we'd all be on the street eating rubbish," he says.

As long as some people are willing to work under slave-like conditions, success cracking down on the practice will be patchy. "This type of work is a consequence of the misery of a great portion of the population. There's no other alternative, so they submit to slave labour," according to Mr João Roberto Buzatto of the CPT.

Business calls for competition reform

By Stefan Wagstyl, Industrial Editor

The Confederation of British Industry, Britain's largest employers' lobby, yesterday called for a shake-up of competition law, including curbs on the government's role in adjudicating takeovers, cartels and anti-competitive practices.

The CBI also demanded a tightening of rules prohibiting cartels and anti-competitive practices, including the introduction of fines on companies found guilty of serious breaches of the law.

The statement, issued in response to a government consultation paper on competition policy reform, marks a shift in the CBI's position. In the past, its views have broadly been in line with the government's, which has proposed modest reforms of the current competition regime. But in calling for limits on ministers' powers to intervene and for financial penalties for offenders against *competition law, the CBI has* now demanded bigger changes than the government is contemplating.

However, the CBI said it opposed calls for uniting the Office of Fair Trading and the Monopolies and Mergers Commission, the two main competition watchdogs.

Mr Julian Armstrong, chairman of the CBI's competition panel said the CBI wanted to keep the "checks and balances" of the present system whilst making it more effective and bringing it closer into line with EU competition law.

The CBI would like to see the Office of Fair Trading, which investigates mergers and possible abuses of competition law, given greater powers and overall responsibility for investigations. It would be renamed the Competition Authority.

The Monopolies and Mergers Commission, which now carries out in-depth probes of competition issues, would have its investigative powers transferred to the OFT. It would be recreated as a tribunal, headed by a judge and called the Competition Commission. The commission would hear cases brought by the OFT, and decide whether mergers could go ahead and on what terms.

In cases of alleged abuses of competition law it would fix penalties. The government would also lose the power it now has to throw out OFT probes of merger cases even before they reach the MMC.

The CBI said it backed government plans to tighten the law on cartels, bringing in a legal prohibition of cartels, backed with fines, in common with European Union law. Unlike the government, the CBI would also like to extend prohibition-based law to cases of companies resorting to anti-competitive practices, such as predatory pricing.

Banned Barings chief 'pleased with settlement'

By John Gapper, Banking Editor

THE BARINGS COLLAPSE

Mr Peter Norris, the former chief executive of investment banking at Barings, yesterday became the first person to accept a three-year ban on *working as a director* in the City of London following the bank's collapse more than a year ago.

Mr Norris, who resigned from ING Barings after the collapse and is working as a management consultant, reached a settlement with the Securities and Futures Authority, the City regulator. He is being removed from the SFA's register of directors for three years, and is paying £10,000 ($15,100) costs to the authority. Mr Norris escaped being declared "not fit and proper" and could still work as a corporate financier.

One of nine former senior managers at Barings who faced bans of up to three years, Mr *Norris said that he had no* intention of seeking work in the City at the moment. He was "pleased to have reached a settlement".

Mr Norris faced discipline from the SFA as the senior executive officer of Baring Securities, the *stockbroking* subsidiary of Barings, which was brought down by £830m of derivatives losses amassed by Mr Nick Leeson.

Mr Ron Baker, the *former* head of derivatives at Barings, yesterday started an appeal against the SFA verdict. Mr Baker is appealing to an independent tribunal.

The SFA said Mr Norris had "acknowledged that by virtue of his position as chief executive officer of Baring Investment Bank, he shares responsi*bility for the circumstances* which led to the collapse of Barings".

It said he had "failed to act with due skill, care and diligence" last year in not trying to get Mr Leeson to reduce his trading positions in futures on the Singapore and Osaka exchanges.

It also said he had not acted "with sufficient promptness and firmness" in dealing with a £50m gap in the 1994 accounts of Baring Futures, which turned out to be caused by Mr Leeson's trading.

Mr Leeson is serving a jail sentence in Singapore. Mr Peter Baring, the former chairman of Barings, and Mr Andrew Tuckey, *former deputy* chairman, have both been cleared of offences by the SFA.

The findings against Mr Norris emphasise his role as a member of the asset and liability committee, which was supposed to *oversee* trading. Mr Baker was also a member of this committee.

UK new car registrations – Jan-April 1996

	Volume	April 1996 Change%	Share%	Apr '95 Share%
Total market	162,618	+17.2	100.0	100.0
UK produced	62,940	+16.7	38.7	38.9
Imports	99,678	+17.5	61.3	61.1
Japanese makes	22,647	+21.8	13.9	13.0
Ford group	31,768	+13.0	19.5	20.3
– Ford	31,142	+13.1	19.2	19.8
– Jaguar	626	+5.7	0.4	0.4
General Motors	25,740	+18.2	15.8	15.7
– Vauxhall	24,686	+18.2	15.2	15.1
– Saab*	1,054	+19.2	0.7	0.8
BMW group	21,527	+16.0	13.2	13.4
– BMW	4,862	+22.2	3.0	2.9
– Rover**	16,685	+14.3	10.3	10.5
Peugeot group	17,669	+14.1	10.9	11.2
– Peugeot	13,171	+22.6	8.1	7.7
– Citroen	4,498	-5.6	2.8	3.4
Volkswagen group	13,494	+40.6	8.3	6.9
– Volkswagen	8,581	+35.2	5.3	4.6
– Audi	2,749	+71.3	1.7	1.2
– SEAT	1,017	-5.0	0.6	0.8
– Skoda†	1,147	+100.2	0.7	0.4
Renault	10,558	+5.7	6.5	7.2
Nissan	7,761	+17.8	4.8	4.8
Toyota	5,471	+25.1	3.4	3.2
Fiat group	7,099	+30.4	4.4	3.9
– Fiat	6,747	+26.8	4.2	3.8
– Alfa Romeo	352	+181.6	0.2	0.1
Volvo	2,867	-4.2	1.8	2.2
Mercedes-Benz	3,100	+14.7	1.9	2.0
Honda	4,350	+17.1	2.7	2.7
Mazda	2,046	+54.9	1.3	1.0

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 70% of Skoda and has management control.

Source: Society of Motor Manufacturers and Traders

Private motorists boost registrations

By John Griffiths in London

New car registrations leapt by more than 17 per cent in April, the largest year-on-year upturn for a single month for several years.

The rise sent a wave of cautious optimism through the motor trade and industry that consumer confidence may be returning. The figures are based on statistics from the Society of Motor Manufacturers and Traders published yesterday which showed registrations to private motorists accounted for a substantial part of the increase.

The optimism was tempered by the fact that there were more selling days in April this year than in the same month a year ago. But this was estimated to account for only a small part of the increase. "The upturn really does appear to be genuine", Rover Group said. This attitude was echoed by Peuegot's UK subsidiary, which said "things really do seem to be moving up; there's an air of optimism about".

Reductions in personal taxation levels set out in the last Budget, and which went into effect last month, were seen as a possible factor in the upturn.

The SMMT's statistics showed that new car registrations to private motorists were 15.9 per cent higher last month compared with the previous April, reversing a year of almost unbroken decline. However, *private motorists*' share of last month's total of 162,618 new car registrations remained at 43 per cent, the same as April last year. This was because fleet and business registrations rose even more sharply, by 18.4 per cent.

The upturn did little, however, to suppress the war of *words between* the SMMT and the main retail motor trade organisations, the Retail Motor Industry Federation and the associated National Franchised Dealers Association.

The retail groups have been arguing stridently that car manufacturers need to lower prices considerably, and make lower *specification models* available, if private motorists are to be wooed back into showrooms. And "despite the upturn, the ratio (of sales) between private and business cars is still wildly out of line", Mr Alan Pulham, the NFDA's director, said last night.

Grainger Town's crumbling facaded underlines the need for reinvestment Photograph North News

Grant aid directed towards revamping old city centres

By Chris Tighe in Newcastle upon Tyne

The city of Newcastle upon Tyne in the north-east of England has one of the grandest city centres in the country – and a 1.5m square foot problem.

More than half the 458 buildings in the city's Grainger Town conservation area are listed – protected for their historical *importance* – but 47 per cent of these buildings which have been left vacant or used only at ground floor level are deemed at risk. In this 28-hectare area, 1.5m sq ft, one-third of the space, lies unoccupied.

Last month one of the largest solicitors firms in the north-east, Dickinson Dees, announced that it was to relocate from Grainger Town to a new city development. This has underlined the urgency of a problem common to many British urban centres – how, in the coming century, are historic city centres going to earn a living? What, indeed, is a city centre for?

Nine hundred businesses are based in Grainger Town but not even its vibrant nightlife can cloak its unwanted offices, *neglected upper floors* and crumbling facades – indicators of low property values and lack of commercial confidence.

Over 30 or more years, office relocations, out of town shopping centres, the drift to the suburbs, traffic problems and the vicious circle of lack of confidence have contributed to the city centre's decline.

But in an effort to buck the trend, several million pounds' of grant aid has triggered housing schemes on upper floors. The national campaign group, Living Over The Shop (Lots), has seen projects mushroom in urban centres nationally since rules on buying or leasing part-commercial property were relaxed in 1988.

In addition English Partnerships, the government's regen*eration agency*, has *offered* around £20m ($30.2m) over five years, making Newcastle its most comprehensive city centre revitalisation initiative. The city council and EP are now finalising a scheme aimed at ploughing in more than £40m of EP, European Union and National Lottery money to revitalise the area.

Coca-Cola's London oasis

By Roderick Oram, Consumer Industries Editor

Coca-Cola & Schweppes Beverages could be facing one of its greatest creative marketing challenges. Images of snowcapped mountains or idyllic pastures will not be enough, for its newest water source is 100 metres beneath its north London factory, a site bounded by one of the capital's busiest roads and the River Lea.

The company wants to pump up to 360 cu m of water (360,000 litres) a day to use as the main ingredient in Oasis, its upmarket adult soft drink. So pure is the water, it might qualify for mineral water status, the company says.

CCSB, a joint venture between Coca-Cola and Cadbury Schweppes, the leading UK soft drinks producer, is reluctant to say more about the source but scientists approve of its choice.

"It should be quite tasty, shall we say, from dissolved salts," says Mr Vin Robinson, principal hydrogeologist for the Thames region of the Environment Agency. "But what's wrong with tap water?"

CCSB's need for an "oasis" was a problem of its making. "New Age" adult soft drinks are one of the fastest growing sectors of the market. CCSB entered it late last year with Oasis, a blend of spring water and fruit juices.

The competitive picture is complicated. Snapple from Quaker Oats is the longest established and most successful in the category. Coca-Cola launched Fruitopia in the US as its riposte. But in the UK Coca-Cola had to launch it through an independent channel because Cadbury Schweppes, its UK partner, had moved in first with Oasis via CCSB.

Metering 'solution' to water crisis

By Leyla Boulton, Environment Correspondent

Metering is the only solution to the summer water shortages, Mr Ian Byatt, the water industry regulator for England and Wales, said yesterday.

Mr Byatt, director-general of Ofwat, defended his regime for privatised water and sewerage companies from recent attacks, sparked mainly by hosepipe bans last summer.

But he acknowledged there was room for improving the regulatory system – which limits the prices companies can charge – when he compared it to an adolescent who was "vigorous but sometimes gauche and with much still to learn".

Mr Byatt pointed out that water charges, which are levied according to ratable values, did not "reflect costs" of increased water use for hosepipes and sprinklers. Sprinklers consume as much water in an hour as a household uses in two days.

A few companies have already made metering compulsory for households using sprinklers. But the government has been wary of pushing metering for fear of being accused of seeking higher charges for poorer households.

In a possible hint that too many different agencies regulated water companies for different *problems*, Mr Byatt suggested that the government should review the job it expected Ofwat to perform. The Environment Agency is in charge of deciding how much water companies can extract from rivers to avoid damage to the environment, while another office is responsible for monitoring the quality of drinking water.

Mr Byatt acknowledged the tension facing an industry which is expected to provide a public service and behave like a private business. "There should also be clarity about what are the proper objectives of the business ... The privatised utilities may have paid too much attention to City matters compared with other aspects of the business."

Regulation of the privatised utilities has come under attack in recent months, fuelled mainly by increased charges for customers, executive pay packets, and a wave of takeover activity.

In the water sector, criticisms have been amplified by shortages, which the opposition Labour party has blamed on companies' failure to do more to tackle leaks and improve supply networks.

Patience stretched over EU beef ban

By Financial Times Reporters

Mr Douglas Hogg, agriculture minister, has warned of growing impatience in Britain over the European Union's continued ban on beef exports, which he said risked damaging the UK's view of Europe.

In a BBC Radio interview at an informal agriculture council in Italy, Mr Hogg said he had impressed on farm ministers that British public opinion "finds it very difficult to understand why the ban is not being lifted. This is also true of political opinion."

Discussions on a phased lifting of the beef export ban are likely to begin next week at a special meeting of the EU's standing veterinary committee.

But the committee, made up of veterinary experts from member states, is not obliged *to accept its proposals*. Last month it ignored the Commission's advice to accept scientific evidence that gelatine and tallow carried no risk.

Meanwhile the government, under fire from opposition MPs over the "chaos" of its cattle cull scheme, yesterday said it was bringing together all sectors of the beef industry to try *to clear the backlog of animals*.

Mr Tony Baldry, junior agriculture minister, said 120,000 cattle were already waiting to be slaughtered as part of the move to remove cattle over 30 months old from the food chain after the mad cow disease scare. Mr Baldry said he would meet representatives of all groups, including farmers, auctioneers and abattoirs, daily to overcome obstacles to the scheme.

Mr Baldry's comments came as the TUC called on the government to use up to £1bn ($1.51bn) in EU funds to help an estimated 10,000 meat industry workers whose jobs have been lost or threatened *because of the crisis*.

The TUC said the money was available under structural and rural development funds to help companies stay in business or to retrain workers. Union representatives said the European Commission was "sympathetic" to their case but the funds had to be matched with national money and they feared the government was reluctant to do this.

● The BSE crisis has driven up rents for grazing land by as much as 20 per cent as livestock farmers scramble for grass to feed cattle awaiting the start of the slaughtering scheme.

The Royal Institution of Chartered Surveyors said grazing rents had risen by between 5 per cent and 20 per cent since the BSE crisis began in late March.

Mr Anthony Mayell, a spokesman for the institution, said the crisis had accelerated a rise in rents earlier this year which followed a change in EU subsidies to encourage less intensive farming. Cattle and sheep farmers now have to spread their animals over a larger area of land to qualify.

UK NEWS DIGEST

Organisational shake-up planned

LLOYD'S LLOYD'S OF LONDON

A sweeping cost-cutting and reorganisation programme within Lloyd's of London's central organisation was foreshadowed yesterday by Mr Ron Sandler, the chief executive. Writing in Lloyd's annual report, Mr Sandler said Lloyd's had started work on a new business plan covering the period after the implementation of the market's recovery plan, due this summer.

Cost competitiveness would be an important part, Mr Sandler said, but he also hinted at a wider shake-up, saying Lloyd's relations with the rest of the London international insurance market would also be reviewed. The annual report shows Lloyd's "central fund" – used to settle claims when Names are unable or unwilling to pay debts – fell by £196m, ($296m) significantly less than expected, to £541m at December 31.

The central Lloyd's organisation – or "corporation" – generated a deficit of £13.8m last year compared with a surplus of £7.4m the previous year. Overall profit figures for the market will be reported next month. Costs associated with setting up Equitas, a giant reinsurance company Lloyd's plans to take responsibility for billions of pounds of US liabilities, reached £51.1m and are expected to reach £110m. Extra expenses were also incurred on professional fees, which reached £7.3m on matters related to the market's recovery plan and £4.7m on other legal issues.

Looking forward, Mr Sandler said: "Costs of the Corporation can and must be reduced considerably. Additionally, there is a growing interest...in placing some of the Corporation's services on a more commercial and contractual footing". After *reporting losses of more than £8bn in recent years*, Lloyd's has returned to profitability but the central market organisation is widely regarded as cumbersome and expensive. Lloyd's has also been relatively slow to exploit information technology.

Ralph Atkins, Insurance Correspondent

Recycling conformity adrift

Mr John Gummer, the environment secretary, yesterday dismissed criticism of a planned recycling agreement with the packaging industry, but admitted that the government would probably miss the *European Union's June 30 deadline for* legislation.

Mr Gummer said an agreement between companies and the government on environmental protection, which would implement a European Union directive on recovering packaging waste, would cost industry between £50m ($75.5m) and £100m a year. He said that this would be far cheaper than the costs of recycling to German industry as part of the "green dot" system developed by the German government, which he estimated at DM4bn ($2.6bn).

The British plan, which shares costs for increased recovery all along the packaging chain, has been viewed with suspicion by Conservative backbenchers and deregulation officials. But while denying any friction in Tory ranks over the plan, Mr Gummer admitted that the draft regulations being hammered out by industry and business would probably miss a deadline of June 30 for legislation to be in place.

The scheme is in response to Mr Gummer's invitation to industry to help him implement the EU directive requiring 50 per cent to 65 per cent of packaging waste to be recovered annually by the year 2000 – rather than being sent to landfill – *including* 25 per cent to 45 per cent to be recycled.

Leyla Boulton, Environment Correspondent

Jersey regulates finance advisers

Jersey is to regulate the activities of investment advisers, discretionary portfolio managers and securities dealers for the first time in a move designed to maintain the island's access to the UK investment market.

In spite of a generally clean record, Jersey was one of the offshore centres used by Barlow Clowes, the investment management company run by Mr Peter Clowes, which collapsed in 1988. Remittances received from clients were paid into client bank accounts in Jersey but then diverted rather than being invested in UK government securities.

Under Treasury rules the government will maintain Jersey's position as a designated territory – allowing locally based funds to market themselves in the UK – only if the island's investment regime matches that of the UK.

Philip Jeune in Jersey

Corporate rescues to be debated

The Bank of England is to host a conference of senior bankers on May 30 as part of continuing efforts to forge an international understanding on how to deal with complex cross-border rescues of companies in financial trouble. The Bank is seeking the views of bankers from Europe, the US and Japan on extending the so-called "London approach", developed in the UK to deal with large corporate collapses. Insolvency experts believe the co-ordination possible under the "London rules" has saved many large businesses. At present cross-border corporate rescues can be frustrated by a wide range of different insolvency procedures.

Jim Kelly, Accountancy Correspondent

Teaching standards attacked

The government renewed its attack on teaching standards in primary schools yesterday after an inspectors' report named poor teaching as the chief reason why 21 per cent of seven-year-olds in three London boroughs cannot read.

Mrs Gillian Shephard, the education and employment secretary, announced a series of controversial measures. These included legislation to allow inspectors to make "spot check" tests on pupils, publication of league tables for teacher training colleges and giving local education authorities responsibility to improve standards in schools.

She said that the report made clear that resources were not the problem. She highlighted a passage in the report which concluded that "at the heart of the problem is a commitment to methods and approaches to the teaching of reading that were self-evidently not working".

The inspectors found that 80 per cent of seven-year-olds had reading ages below their actual ages. But the poor teaching practices identified were only part of a complex series of issues which lowered standards in the boroughs. All three have high levels of social deprivation and large ethnic minority populations. The report showed these factors affected reading ability more than the effectiveness of schools.

John Authers, London

Defence ministers give nod and a wink to the US

MoD signals that arms industry should look beyond Europe

Changes in policy at the Ministry of Defence are hard to spot, and can normally be found only in the smallest hints and nods at the edge of official statements.

One such subtle shift seemed to appear in the annual defence white paper, published last week. The paper acknowledged that a restructuring of the arms industry was needed in the wake of falling defence spending, and said that British businesses should be working with both Europeans on the Continental mainland and US companies to achieve this.

This is a change from the department's position earlier in the year, which suggested that companies would do best to link with Continental partners.

Mr James Arbuthnot, the defence procurement minister, acknowledged the change of tone. "We are increasingly collaborating with Europe, but not at the expense of our relationship with the US," he said.

"What we don't want to see is increasing European collaboration leading to an increase in protectionism in Europe and the US. We do not have a preference between cooperation with Europe and with America."

The conciliatory tone towards the US may be related to the large sums US companies are spending supporting their bids for UK missile and aircraft contracts. American manufacturers are strong contenders for £2.5bn ($3.77bn) of missile contracts now on offer, and are teamed with UK companies for the £2.5bn competition to replace Britain's ageing Nimrod maritime patrol aircraft.

But that line may not play so well in Paris or Bonn, where many industrialists say that if the US will not import foreign defence goods, Europe should not be open to US manufacturers.

Britain, which has moved towards Europe with its decision to join the Franco-German "battlefield taxi" programme, could risk alienating Continental partners if it favours the US in other bids.

"We may face some hard choices in our current competitions," Mr Arbuthnot said, "but companies are increasingly forming a web of alliances for different projects. For example, British Aerospace has teamed with McDonnell Douglas of the US on the joint strike fighter [replacement for the Harrier], Dassault of France for a future offensive aircraft [Tornado replacement], and is working with Daimler-Benz Aerospace of Germany on the Eurofighter. That is a trend we wish to encourage."

Letting a thousand flowers bloom may seem attractive, but will it produce the rationalisation which the European defence industry badly needs? Mr Arbuthnot was adamant that the MoD would not dictate how the industry should consolidate. "We don't have a blueprint that says that this that or the other company should merge."

On the other hand, the MoD seems to accept that its power as the only buyer from the defence industry does give it a responsibility to help manufacturers.

"We have three missile procurement decisions to make and they will have an impact on the structure of the missile industry. We need to be conscious of that when we come to make our decisions, and we must not squander this opportunity," Mr Arbuthnot said.

This newly accepted link to the fate of the arms industry is a big change from two years ago, but has been arrived at almost by stealth in small moves. So does Mr Arbuthnot think that European arms companies must move quickly to catch up with the rapid consolidation of the US?

"Speaking personally, I think there is some urgency about rationalisation. In air systems, for example, there is pressure for movement but companies have to be certain they can find the right deal.

"To take another example, in land systems the agreement we have struck over MRAV [the battlefield taxi] creates the conditions to allow the industry to consolidate. But if companies decide to take 10 years about that they will be left far behind their international competitors. It is up to them."

Winning ways with waste

William Macdonald on a scheme to turn organic matter into compost

An innovative technology that is already used widely in Germany for turning waste into compost is being promoted for the first time in the UK by a Scottish local council.

Two 55-tonne computer-controlled composting boxes have been installed at the site of the old aluminium smelter at Invergordon, closed down in 1981. The plant will produce 1,500 tonnes of compost each year from 3,000 tonnes of organic waste.

The £600,000 scheme is part of a recycling project set up by Ross and Cromarty District Council, now part of Highland Council. The aim is to cut down on refuse disposal costs and in particular to avoid the government's landfill tax, which comes into operation in October.

Tom Anderson, the council's senior principal environmental health officer, says: "Landfill tax will increase every year, as the chancellor is not going to miss the chance to collect such an easy tax".

There are already some local authority composting schemes operating in the UK. The process, which is carried out in large sheds, can work well, but requires large volumes of material to be successful. Also, it can be very erratic, lengthening the composting time and lowering the product quality.

The new technology involves boxes produced by Herhof Umwelttechnik, the German environmental technology company. These overcome some of the limitations of existing local authority composting schemes.

Specially developed filters ensure that there are no odour problems and because the units are hermetically sealed there is no possibility of groundwater becoming contaminated.

The boxes can produce usable compost within seven to 10 days, although for some applications a further one or two composting stages are required. Initially, the council will use the compost for its own landscaping. It hopes eventually to sell it in garden centres, as happens in Germany.

This type of composting technology has been available since 1987 in Germany, where 150 such systems are running already. But Britain has been very slow on the uptake.

Ulrike Frenken, of Herhof's export department, says: "One reason why this kind of technology is more popular in Germany than in Britain is that landfill space is very rare in Germany. As long as landfill costs are rather low in Britain, there is no reason for politicians to support this development and to pay higher prices for treating their wastes. Furthermore, the German laws for environmental protection are strict, and in some Länder [states] composting of organics is prescribed by law."

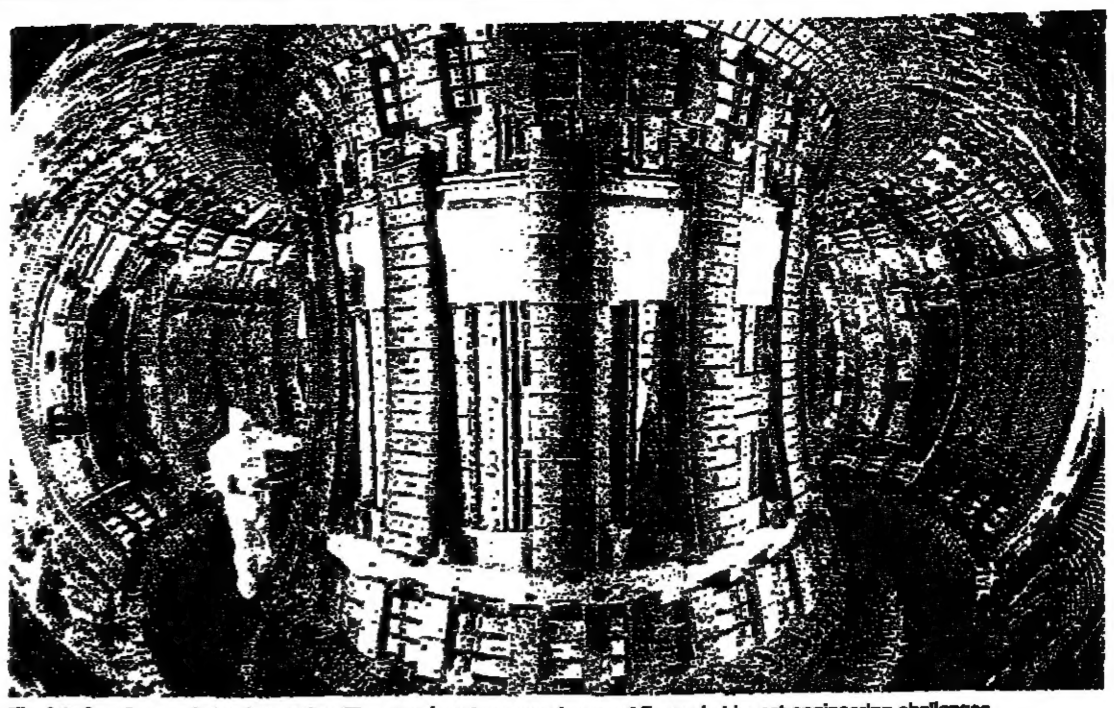
In a recently published white paper the UK government set out a strategy for sustainable waste management which set new targets for municipal waste and composting. It repeats the target set in 1990 to recycle 25 per cent of household waste by 2000, but a new target has been added of recovering 40 per cent of municipal waste by 2005.

Buttressing the main target are several secondary targets. One is to have easily accessible recycling facilities for 80 per cent of households by 2000. This is likely to be achieved largely by the provision of additional facilities to meet the targets set by European Union directives.

However, the strategy also gives a much greater emphasis on composting because of official fears that the recycling target will otherwise not be met. The white paper states that 40 per cent of homes with gardens should carry out home composting by 2000 and that 1m tonnes of organic and household waste a year will be composted by the same date.

Finally, all waste disposal authorities in England and Wales will be asked to consider the potential for establishing central composting facilities for garden waste, as well as other organic waste from commercial sources, by 1997.

As landfill becomes increasingly expensive and environmentally difficult, innovative recycling schemes such as the Ross and Cromarty model will increase in importance.



The interior of torus during inspection. The experiment represents one of Europe's biggest engineering challenges

Jet gets off the ground

Frances Barthorpe looks at an experiment to make nuclear fusion an energy source for the future

A £535m experiment to develop a new and virtually non-polluting energy source has just entered the final phase of its programme.

Known as Jet (Joint European Torus), the experiment, at a site near Abingdon in the UK, is the first part of a multinational research programme to develop nuclear fusion as a competitively priced energy source for the future.

Plans are already under way for the second and third stages of the programme which include the design and construction of a more advanced research facility, and finally, a demonstration power station.

If all expectations are realised, a fully operational nuclear fusion power station could be on stream by the middle of the next century, when world energy demand is expected to have doubled and fossil fuel reserves will be running low.

As an energy source, nuclear fusion produces none of the greenhouse gases or acid rain emissions associated with other forms of energy production. And by careful selection and development of materials with low radioactivity potential, long-term waste storage can be minimised.

The energy is produced when light atoms such as hydrogen become fused together to form heavier ones such as helium.

Although this process takes place continuously in the sun, achieving the same results on earth requires temperatures of between 100m°C and 300m°C, about 10 times hotter than the sun.

In the Jet experiment the fusion process takes place inside the "torus". This specially designed vacuum chamber, which measures 10m across and looks like a giant doughnut, has already achieved temperatures in excess of 300m°C.

The basic fuel used in the experiment is deuterium, a form of hydrogen which is easily extracted from water. When this is mixed with tritium, a radioactive form of hydrogen, and heated to between 100m°C to 200m°C, fusion occurs. Tritium is made within the torus from lithium, which is available in amounts sufficient to supply the world's electricity needs for at least 1,000 years.

Tom Elsworth, Jet spokesman, says the process is inherently safe because of its slow reaction rate. "There is only 1g of fuel in the system at a time and in the event of any breakdown the reaction would instantly be quenched." One gram of fusion fuel produces the equivalent amount of energy as 10m grams of oil.

Jet has been operating for 17 years, and one of its remaining goals is to generate 10MW of fusion power for a few seconds using an equal mix of deuterium and tritium.

Apart from one occasion, all the experiments have been conducted using just deuterium, which is non-radioactive, to keep the activation of the vessel to a minimum.

In 1991, when a mix of 90 per cent deuterium and 10 per cent tritium was used, about 2 megajoules (about the equivalent of 2MW) of energy was produced for a period of two seconds.

"These experiments are as close as Jet can get to full ignition," says Elsworth. "In other words we are at the point of putting a match to the log fire. Once this is lit, all that will be needed is a constant supply of fuel to keep the process going."

But Jet is not designed to achieve full ignition. This will fall to its successor, Iter (the International Thermonuclear Experimental Reactor), an experimental reactor which will be capable of generating 1,500MW of power for periods of up to 30 minutes.

The technical knowledge and experiences gained from operating Jet are being used to draw up a detailed engineering design for Iter. Begun in 1992, it will be two years before the design is complete.

As yet no decision has been made about where Iter will be built and by whom. But its cost is put at $6bn (£3.9bn) at today's prices, spread over 10 years. This will be divided between the US, Japan, Russia and the European Union, says Elsworth.

The European Atomic Energy group, Euratom, has provided some 80 per cent of the cost of Jet. Of the remaining 20 per cent, half has come from the UK's Atomic Energy Authority as the host country, and half from the other countries involved in the project, which include Sweden, Switzerland, Greece, Ireland and Luxembourg.

Jet has also received a great deal of practical help from industry, which has benefited in exchange from many technology spin offs.

GEC Alsthom, the Anglo-French engineering group, has been heavily involved in the construction and installation of Jet since it began.

"We have supplied what was often just standard industrial equipment, but for a unique purpose," says Mark Clarke, contract manager. "Now we are reaping the benefits. The experience we have gained in new technologies and in the handling of new materials has applications in other spheres of engineering."

One of these materials was beryllium, a toxic material presenting hazards similar in nature to asbestos. This was installed in Jet in 1988. "We have gained valuable knowledge on its handling."

Jet has been described as Europe's largest and most complex engineering challenge and the experience gained during its operation has been invaluable.

If present progress continues it is perfectly feasible that a nuclear fusion power station could be providing mankind with an abundant power source in the future. "Although, realistically, it is unlikely to be cheaper than current energy sources it will certainly be much cleaner," says Elsworth.

A house for all weather

A house under construction in East Anglia may be the first in Britain to be designed to cope with predicted climate change.

Experts say the warming of the earth's atmosphere could bring more extremes of weather, including droughts followed by heavy rainfall, as well as increased incidents of storms.

The new, mainly wooden, house being built at Palgrave in Suffolk for architect Neil Winder and his family, is on concrete foundation stilts, partly to protect against flash floods.

The heavy-duty stilts are also designed to combat increased risk of subsidence which could follow long droughts in clay areas such as East Anglia, which is already the driest region in England.

Winder says he has also devised ways of strengthening the house, including the pantiled roof, in order to better withstand storm-force winds.

Large rain water gutters, made of timber and lined with galvanised sheet, have been installed to cope with sudden deluges, allowing water to spout into a nearby ditch rather than being fed into downpipes.

The building project is aimed at minimising impact on the environment and use of materials such as plastics and lead has been kept to a minimum.

Much of Winder's work as an architect is with medieval buildings. In designing a new home he has tried to combine the lessons of the past with the opportunities afforded by modern technology.

The 8in-thick timber walls, insulated with material made from recycled newsprint, are designed to allow temperatures inside the house to respond quickly to extremes of temperature outside.

Internal heating will be provided by a Russian-style stove which will burn locally coppiced timber and will reach temperatures of between 1,000°C and 1,100°C.

David Green

Television/Christopher Dunkley

A peculiar performance

Bored to tears, were you, by the snooker final over the bank holiday weekend? Less than dumbfounded by the novelty of last night's new ITV drama series about . . . the police? (How much do you suppose they pay the people at ITV Network Centre who decided that after *The Bill* at 8.00 what we really needed at 9.00 was another police series running up to the ten o'clock news and then continuing for another 50 minutes afterwards?) So why were you not watching *The Quintessential Peggy Lee* on Monday and *Coppélia* danced by the Kirov last night? The answer, probably, is that like most people you do not have cable television and consequently cannot watch the Performance channel.

Single subject networks are pretty common on cable and satellite systems. MTV and VH1 offer nothing but pop music. Sky News and CNN provide 24-hour news services. QVC allows you to buy kitchen gadgets and costume jewellery from your armchair day and night. And the Performance channel – available only on cable, not via satellite – is dedicated to the performing arts.

In the past ten days or so you could have watched Verdi's *Otello* filmed in the immense Verona amphitheatre; *Die Fledermaus* with Domingo conducting and Kiri Te Kanawa singing; a whole raft of Rossini operas: *The Thieving Magpie, The Silken Ladder* and, much rarer, *Il Signor Bruschino*. There have been jazz concerts by Duke Ellington, Art Blakey and Art Farmer. Ballets have included *The Sleeping Beauty* and *Coppélia*, both danced by the Kirov, and Glen Tetley's *The Firebird*. And among the orchestral music on offer has been Beethoven's Ninth, Berlioz's *Symphonie Fantastique*, and a gala concert featuring Joan Sutherland and Marilyn Horne.

Of course none of it was live, none was new, most was several years old, and some was recorded as much as 15 years ago. Spending a week or so concentrating on the channel is a peculiar experience, not least because it seems to have attracted only half a dozen advertisers so that, within a couple of days, you know all the commercials by heart: Renault Espace, Aqua Fresh toothpaste, and Dawn French bawling "Chocolate!" as an example of how you might spend the money you could save on your phone bill by installing cable. What is the point of advertising cable to those who already have it?

The peculiarity does not end there. This channel operates from 7.00 pm to 1.00 am every night. The last programme on Tuesday last week was a concert in tribute to Sidney Bechet by Bob Wilber. Switch on next day at 7.00 for the start of transmissions and what do you find? Exactly the same programme. No doubt it will be said that this is not a network which anyone is expected to stay with for the entire evening, day after day. Even so, some of the scheduling does seem a bit odd.

Thursday brought *Symphony For The Spire*, a recording of the 1991 concert sponsored by Prince Charles to help raise money for the spire of Salisbury cathedral. This included extracts from *Aida* and several appearances by Charlton Heston who read from Deuteronomy and joined Kenneth Branagh in scenes from *Henry V*.

The following programme, *Opera Stories*, one of a series, was presented by Charlton Heston whose subject on this occasion was *Aida*. He introduced extracts, including the very aria we had heard in the previous programme, though sung by a different singer. Then, at 11.30, came one of the channel's most regular series, *Aria*, and among the excerpts that night was not only the same song all over again, but the very same performance. Twice in one night would seem odd, but three times is surely inept.

The longer you watch, the more noticeable becomes the contrast between the high standard of much of the content on this channel and the casual, almost careless, manner in which it is scheduled and presented. You can see more jazz here in a week than on most terrestrial channels in a year, and although much of it is decidedly familiar it is not all. I had heard of Jimmy Witherspoon who appeared on *Jazz From The Lighthouse* last week (singing "Done gonna take you to the dentist in the morning cos I'm knockin' out your teeth tonight") but the other acts – the Milcho Leviev Trio, the Ahmad Jamal Trio, and a band led by a man named Subramaniam who plays a splendid sort of Asiatic jazz on a bright blue electric violin - were news to me. On another night it was good to see the Elaine Elias Trio too, led by a woman pianist who does not sing, either in a baby voice or a man's voice, but just plays good jazz piano.

However, it seems impossible to discover prior to transmission anything other than the bare title of a programme; without switching on you cannot know who will be singing in an opera or conducting a concert, or which bands will appear in a jazz programme. Neither *Radio Times* nor any of the specialist satellite and cable listings magazines has anything more than titles.

Sometimes even when you do switch on and wait for the announcements you are completely misinformed. That Bechet tribute was referred to repeatedly by the announcer as a tribute to "Sidney Beckett", suggesting not only that he had never heard of the man, but had not watched the programme either because Bechet's name was, of course, pronounced correctly within the programme. More absurd still, on Wednesday we were invited to prepare ourselves for "the glory of Mozart's sublime Clarinet Concerto in A-Major as Performance presents *Richard Stoltzman In Concert*", whereupon Stoltzman played the Brahms Clarinet Quintet in B-Minor.

The Performance channel states that it has 1500 hours of opera, 600 hours of ballet, 300 of classical music, 200 of jazz and blues, and 100 of contemporary dance. That is a remarkable stockpile, and much of it features the world's top artists: Jessye Norman, Julian Bream, Maria Ewing, Janet Baker, Ileana Cotrubas and many others have all appeared in the past week in addition to those already mentioned. Indeed the channel could be criticised for clinging too fearfully to star names and for not chancing its arm enough and giving opportunities to younger and less well known talented performers.

Anyway, however many hours they may have on tape, as you watch the output you do sometimes begin to wonder whether this entire operation consists of anything more than a couple of people slapping cassettes into machines and announcing (or mis-announcing) what comes next.

Could it be that they suspect nobody is watching?

Theatre

Finely-tuned Chekhov

Two of the biggest traps that a Chekhov production can fall into are plodding or wafting. Thankfully, Max Stafford-Clark's Out of Joint production of *Three Sisters*, now arrived at the Lyric Theatre, Hammersmith, neither plods nor wafts: it moves briskly and nimbly. And while it might not offer a laugh a minute, the lucid observation in Stafford-Clark's staging brings out all the absurd and comic details of behaviour that make Chekhov such an endlessly watchable playwright – the way people splutter, mumble, talk over one another, stare into space and lurch in and out of speech.

Occasionally they seem over the top, until you look about you in the interval and realise that, if anything, Chekhov was understating. As Tuzenbakh mournfully observes at one point in the play, people change very little in essence.

This may all seem incidental, but, as Stafford-Clark's production so eloquently demonstrates (helped by a fluid new translation from Stephen Mulrine), it is through the minor details that Chekhov creates the fabric of life and convinces you, as the evening progresses, that you have truly eavesdropped on one family's evolution over the years.

So it is that you absorb the sad undertow of the play, as you watch the characters submit to the slow thickening of time. In this production Jeremy Swift as Andrei and Dinah Stabb as Olga are exceptionally good at conveying the bewildering way people suddenly find themselves living a humdrum life. Swift's pudgy, good-natured face and floppy hair, charming in youth, seem to sag sadly as the evening wears on, while we watch Stabb's Olga slowly dry up into the respectable, tired headmistress she never wanted to be.

Indeed, all the characters are precisely observed and thoughtfully developed over the several acts. There are fine performances from the spouses, Brian Protheroe as Masha's increasingly dogged husband and Jenna Russell as Andrei's ever more shrewish wife – casualties of a household in which each find their own strategies for survival.

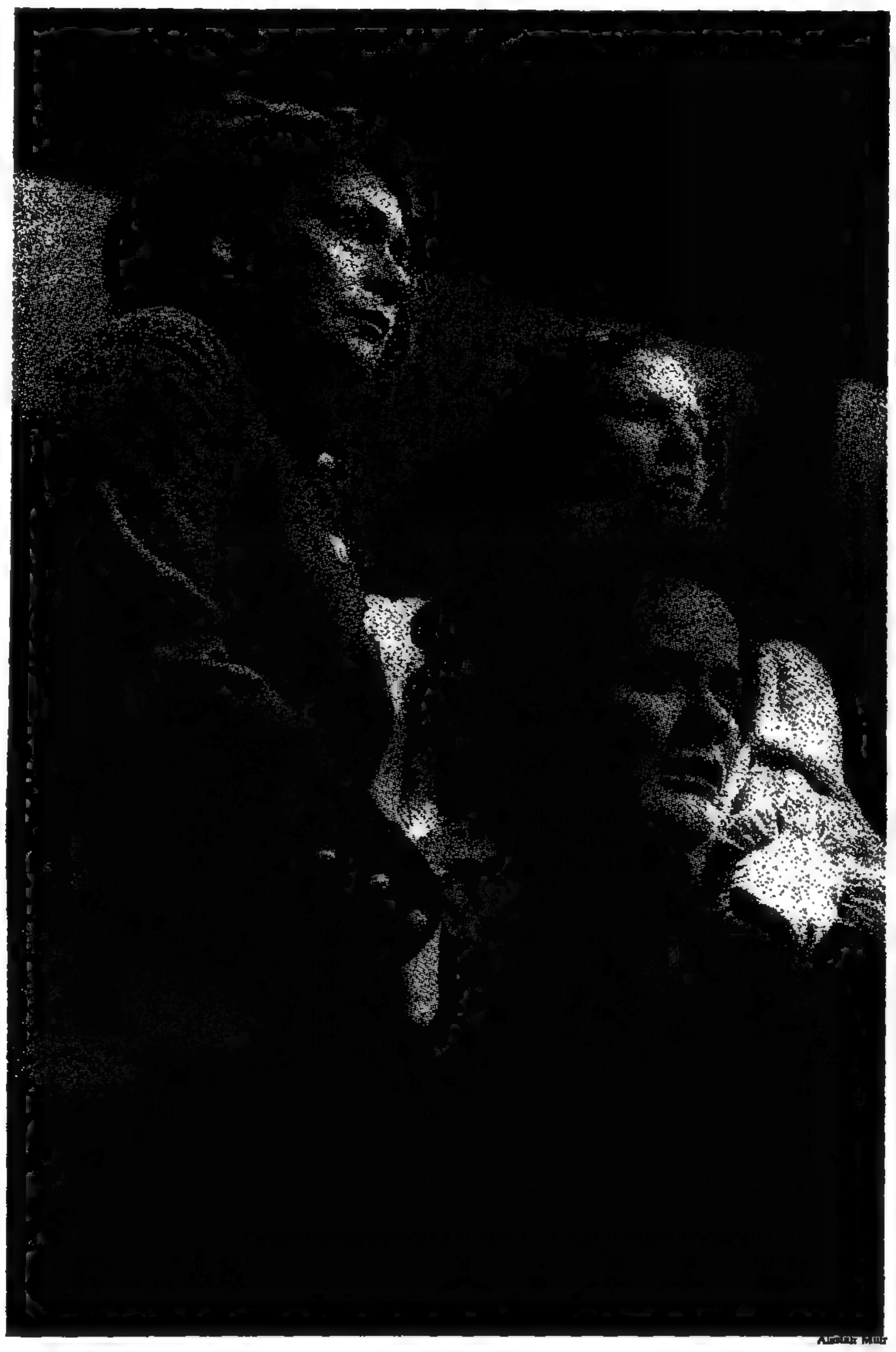
Barnaby Kay's well-meaning Baron Tuzenbakh and Lloyd Hutchinson's dour, odd Sollony are also impressive, while you can believe of Nigel Terry's spruce and energetic Vershinin that Masha would fall hopelessly in love with him. No simplistic out-and-out cad, he combines genuine, attractive enthusiasm for debate and romance with a selfish, slippery ability to shrug off unwanted responsibilities.

Perhaps the most interesting aspect of the production is the way that the sisters themselves are presented. Frustrated and almost heroic in their fortitude, they can also be bossy, snobbish and tiresome. Kate Ashfield's Irina, far from being just a charming ingénue, is coltish and rather Sloaney, spoilt yet touching. Gabbling her words as if they might grow stale in her mouth, she bursts with an energy that gradually solidifies into determined stoicism. And Catherine Russell's flighty Masha is captivating and infuriating at once, exploding into sudden radiant enthusiasm or black bad moods with equal unpredictability.

There are some shortcomings to the production. It is better on accumulated observation than on the heights and depths of passion into which the characters' frustration drives them. Julian McGowan's dark wooden set, while serviceable and credible, does not sculpt the mood of each act the way some can, and the ending is strangely heavy-handed. As the three sisters, abandoning their hopes of escape, muse on the meaning of their lives, Stafford-Clark lines them up to watch a child's spinning top – a reprise of a moment in the opening scene – allowing it to spin itself to a stop. While this is an effective symbol of the futility of life, it is also a rather obvious one, and an unnecessary gilding the lily since the play itself has said it all so eloquently. But apart from this, Stafford-Clark's is a finely tuned production.

Sarah Hemming

Continues at the Lyric Theatre, Hammersmith, London W6 (0181-741 2311)



Alastair Muir

Interestingly unpredictable: (left to right) Dinah Stabb, Kate Ashfield and Catherine Russell as 'The Three Sisters' in Max Stafford-Clark's Out of Joint production

Concerts/Antony Bye

Inspirational Birtwistle

Since its premiere by the London Sinfonietta in 1983 and with no less than three recordings to its credit, Birtwistle's half-hour chamber masterpiece *Secret Theatre* has already achieved classic status, both at home and abroad. It thus made an especially fitting conclusion on Saturday to the South Bank Centre's extensive Birtwistle retrospective, "Secret Theatres", not least by way of an inspirational performance from the experienced Sinfonietta players under the galvanising direction of Diego Masson, effortlessly commanding in the score's rhythmic complexities and acutely sensitive to its inner *élan vital*.

Secret Theatre is, as its title suggests, the quintessence of Birtwistle's artistic preoccupations, harnessing his obsession with fixed though subtly varied repetition with the extended melodic freedom characteristic of his more recent music. Its exploration of the relationship between a perpetually changing group of soloists and a typically impervious backdrop of shudders, snarls, scratchings and pulsations recycled in potentially endless permutation is a potent metaphor for evolving humanity's attempts, through ritual and role play, to extract permanent meaning and value from unbenevolent, inscrutable nature.

But to assume universal significance beyond the ephemeral and everyday, such an elemental vision can only be conveyed obliquely, through the allusively suggestive and inherently dramatic powers of music. The implication is that further attempts to clarify, beyond Birtwistle's stipulation that the players move seats according to their changing functions, run the risk of oversimplification, partiality, or misrepresentation. In the event, the movements enacted by the members of the Richard Alston Dance Company, whether intermittently in *Secret Theatre* or throughout the new work, *Bach Measures*, Birtwistle's surprisingly straightforward orchestrations of eight of Bach's *Orgelbüchlein* chorale preludes, proved neither enlightening nor baffling but inevitably redundant and distracting.

The experiment worked better with *Orpheus Singing and Dreaming* a choreographed version of Birtwistle's already explicitly dramatic cantata, *Nenia: The Death of Orpheus*, in which the singer not only narrates but impersonates both Orpheus and Euridice. But even though the two dancers provided more focused contributions, they were nonetheless overshadowed by Nicole Tibbels's riveting delivery of the demanding solo part and the sheer magic of Birtwistle's musical response, a casebook study of how less can mean more.

That more can perhaps mean less, even for Birtwistle, was demonstrated at Thursday's Festival Hall concert in which Joanna MacGregor and the Philharmonia Orchestra under Peter Eötvös grappled with Birtwistle's recent piano concerto *Antiphonies*. This is a demonstration of the composer's growing ability to think in terms of longer spans and denser textures, but it seemed too long for its material. Alongside lethargic performances of Stravinsky's *Symphonies of Wind Instruments* – pronounced by Birtwistle the seminal musical masterwork of the 20th century – and *Symphony of Psalms*, spoiled by an over-large choir, and a fluent reading of Bartók's rarely played *Four Orchestral Pieces* – it sat uneasily in a strange programme only partially relevant to the festival.

Yet whatever the reservations, "Secret Theatres" has triumphantly confirmed Birtwistle's status as a major modern master. In an ideal world it would have found a place for other unequivocal testaments to his compositional mastery and singular vision, notably the opera *Punch and Judy* and the orchestral *Triumph of Time*, as well as works by other composers acknowledged to have influenced him, such as Webern, Varèse and Messiaen, and by contemporary masters, Carter and Ligeti perhaps, with whom his work shares certain affinities of intention – though not of realisation.

But as the enthusiastic, largely packed houses have shown, last year's rumpus over the Proms' Last Night Panic has clearly been forgotten. Amongst British composers Birtwistle is without peer and on the world's stage can stand unashamedly – and unsecretly – as first among equals.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Sarah Walker, Tom Krause and Kelvin Grout: the mezzo-soprano, baritone and pianist perform works by R. Schumann, Mahler and Brahms; 8.15pm; May 12

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● Lenore Tawney: retrospective exhibition devoted to the work of this American textile artist. The display also includes collages and assemblages; from May 11 to Jun 30

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Deutsches Symphonie Orchester: with conductor Vladimir Ashkenazy and pianist Olli Mustonen perform works by Tchaikovsky, Prokofiev and Mendelssohn; 8pm; May 10, 11

EXHIBITION
Berlinische Galerie - Martin-Gropius-Bau
Tel: 49-30-254860
● Anne Ratkowski - Eine vergessene Künstlerin der Novembergruppe: exhibition devoted to the work of the German painter Anne Ratkowski, a member of the Novembergruppe, a movement of Expressionist artists formed in Berlin in 1918. The display includes still lifes and portraits; from May 10 to Oct 13

OPERA
Deutsche Oper Berlin
Tel: 49-30-3438401
● Un Ballo in Maschera: by Verdi. Conducted by Rafael Frühbeck de Burgos and performed by the Deutsche Oper Berlin. Soloists include Boiko Zvetanov, Helen Bickers, George Fortune and Gwendolyn Bradley; 8.30pm; May 11

■ BIRMINGHAM

THEATRE
Alexandra Theatre
Tel: 44-121-6435536
● Jane Eyre: by Charlotte Brontë. Directed by Charles Vance. The cast includes George Charkiris, Barbara Murray and Jill Greenacre; Mon - Sat 7.30pm, Tue, Thu also 2.30pm; to May 11 (not Sun)

■ CARDIFF

MUSICAL
St. Davids Hall Tel: 44-1222-878444
● What a Feeling: a show featuring hit songs and dance numbers from movies and musicals of the last 20 years, directed and choreographed by Charles Augins. Featuring the Rock 'n' Pop Musicals Band, Irene Cara, Sonia, and Felice Arena; 5pm & 8pm; May 11

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Orchestre de la Suisse Romande: with conductor Sergiu Comissiona and pianist Vladimir Viardo perform works by Dvorák, Rachmaninov, Sibelius and Kodály; 8.30pm; May 9

■ GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● John Williams and Timothy Kain: the guitarists perform works by Westlake, Granados, Soler, O'Carolan/G. García, Houghton, Brouwer, Verdey, Hand, Madlem, Bellinati, Takemitsu, Shostakovich, De Falla and Albéniz; 8pm; May 9

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Otello: by Verdi. Conducted by Miguel Gómez-Martinez and performed by the Helsinki Opera. Soloists include Gardar Cortes, Jukka Rasilainen, Matti Heinikari and Hannu Malin; 7pm; May 10

■ LONDON

AUCTION
Christie's South Kensington
Tel: 44-171-5817611
● Maritime: offering a collection of pictures from the 19th century, including five paintings by Miles Walters (1773-1855) and his son Samuel Walters (1811-1882). Also included are 40 watercolours by the Roux family and their followers who dominated Northern Mediterranean ship portraiture; 10.30am & 2pm; May 10

CONCERT
Royal Albert Hall
Tel: 44-171-5898212
● Verdi Requiem from Scratch: choral enthusiasts from all over Britain and many from abroad, gather to sing Verdi's Requiem Mass under the direction of Sir David Willcocks; 7pm; May 10

Wigmore Hall Tel: 44-171-9352141
● Guildhall String Ensemble: with conductor Robert Salter and pianist Piers Lane perform works by Mozart, Dvorák, Finzi and Beethoven/Mahler; 7.30pm; May 10

■ NEW YORK

CONCERT
Merkin Concert Hall - Abraham Goodman House
Tel: 1-212-5013330
● Members of the New York Philharmonic: with conductor Samuel Wong perform Telemann's Trio Sonata in E minor, Dvorák's Piano Quartet in D major, Op.23 and Stravinsky's L'Histoire du Soldat; 3pm; May 12

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Ensemble Orchestral de Paris: with conductor Jean-Jacques Kantorow, Michel Galabru (recitative) and pianist Dmitri Alexeiev perform Prokofiev's Symphony No.1, Piano Concerto No.4 and Peter and the Wolf; 4pm; May 12

DANCE
Théâtre National de l'Opéra - Opéra Garnier
Tel: 33-1 42 66 50 22
● Giselle: a choreography by Mats Ek to music by Adam, performed by the Ballet de l'Opéra National de Paris; 7.30pm; May 9

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Tosca: by Puccini. Conducted by Silvio Varviso and performed by the Opéra National de Paris. Soloists include Maria Guleghina, Neil Shicoff and James Morris; 7.30pm; May 9

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado perform Beethoven's Symphony No.7 in A major, Op.92 and Brahms' Symphony No.3 in F major, Op.90; 8.30pm; May 11

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Die Fledermaus: by J. Strauss. Conducted by Kjell Ingebretsen and performed by the Royal Swedish Opera. Soloists include Gunnar Lundberg, Esaias Tewolde-Berhan, Hilde Leidland and Sara Olsson; 7.30pm; May 9

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Ariane et Barbe-bleu: by Dukas. Concert performance by the ORF-Symphonieorchester with conductor Michael Gielen. Soloists include Françoise Pollet and James Johnson; 7.30pm; May 11
● Wolfgang Holzmair: accompanied by pianist Gérard Wyss. The baritone performs songs by Marx, Wolf-Ferrari and Wolf; 7.30pm; May 9

OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Otello: by Verdi. Conducted by Donald Runnicles and performed by the Wiener Staatsoper. Soloists include Giuseppe Giacomini, Julia Varady and Renato Bruson; 7pm; May 9, 12 (6pm)

■ WASHINGTON

EXHIBITION
Arthur M. Sackler Gallery
Tel: 1-202-357-2700
● Puja: Expressions of Hindu Devotion: an essential element of Hindu worship is "puja", an act of personal devotion to a deity. This exhibition contains approximately 125 bronze, brass, copper, wood, silver, granite, crystal, stone, terracotta and shell objects, made in India between the 9th and 20th centuries for use in worship; from May 12

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Financial Times Business Tonight

Edward Mortimer

Tight hand on the purse

The financial crisis at the United Nations is not improved by the style of Boutros Boutros Ghali, who may decide to serve a second term as secretary-general

Boutros Boutros Ghali will succeed himself as secretary-general of the United Nations at the end of the year.

That is the expectation at UN headquarters in New York, despite the fact that Boutros Ghali, now in his mid-70s, who swore he would only serve one term when he took the job five years ago, has not yet officially declared his candidature, has been the butt of frequent criticism in the US, and is detested by his own staff.

The procedure (or rather lack of one) for choosing a new secretary-general makes it virtually impossible for any other candidates to declare their hand while Boutros Ghali is in the running. There is no date by which nominations have to be submitted; no search committee; no short-list; no provision for interviews; no requirement for candidates to state their views on any issue, whether administrative or political, or to submit references or even a curriculum vitae.

Nor is there any clear consensus on the nature of the job. The UN Charter describes the secretary-general as "the chief administrative officer of the Organisation", which sounds rather humdrum. But it also says he "may bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security".

Even Boutros Ghali's admirers admit that he is an appalling manager. One reform which has been suggested, by the US among others, is the appointment of a deputy who would take over all management responsibilities, freeing the secretary-general to concentrate on the diplomatic and political tasks of conflict prevention and resolution. Boutros Ghali works hard at these, but his staff say much of the effort is wasted because he insists on conducting meetings with national leaders tete-a-tete, and never tells anyone else what was said – a style of diplomacy he apparently learned from his former bosses, Egyptian presidents Anwar Sadat and Hosni Mubarak. He travels incessantly, accompanied usually by his wife, with a spokesman, a bodyguard, and one middle-level official from his own office. But he is hardly ever accompanied by anyone from the political affairs department which has to handle crises and conflicts on a day-to-day basis.

Indeed, senior UN staff are not allowed to leave New York without his permission, which is rarely given. There is no question of them paying regular visits to areas of potential conflict which would enable them to win the confidence of local leaders and take pre-emptive action when trouble looms. Instead their trips are always emergency visits, occurring at moments of tension when they are often unwelcome to at least one of the parties.

This travel ban is justified by the UN's financial crisis. But staff remark bitterly that Boutros Ghali makes no attempt to set a personal example. They say that he continues to entertain lavishly at top hotels and to fly on Concorde. Instead, says one UN official, "the cuts start at the level immediately below him", with the result that "the feeling in-house is extremely negative".

But he can hardly be blamed for the financial crisis which is the main reason for low morale. Behind this lies the failure of member states to pay their dues – above all the US, whose arrears of $1.5bn (£996m)amount to 55 per cent of the total.

Joseph Connor, the former Price Waterhouse chief executive who runs the UN's finances, was encouraged two weeks ago when the Clinton administration won Congressional approval for nearly all the UN funding it originally asked for in the 1995-96 budget. But that budget deals only with amounts owing to the UN as of January 31 1995. Discussion of the US 1996-97 budget (in which Clinton has requested funding for the 1996 UN contribution, plus a programme to pay off the arrears over five years) has not even begun.

The result is that more than half the UN's total expenses are being paid by EU members, while Japan has become de facto the largest single contributor. The UN is not allowed to borrow from external sources, so last week Mr Connor had to raid the peacekeeping budget to defray running expenses. This is possible not because peacekeeping runs at a profit but because the UN itself is roughly $1bn behind with its payments to troop contributors.

Thus the UK and France, for example, have paid more than their share of the UN's expenses but are still waiting to be reimbursed the cost of sending troops to Bosnia and elsewhere. But Germany and Japan, economic giants so far denied permanent membership of the Security Council, have begun to follow the bad example of the US. Their 1996 contributions are held up for "technical reasons".

The US Congress's behaviour infuriates other member states and embarrasses the US administration – especially as, in the words of one US official, the price of "a couple of B2 bombers would cover the whole thing". Yet by these methods the US is imposing reforms which would never otherwise be agreed. Last year the UN General Assembly imposed a zero nominal growth ceiling on this year's budget, with no slack for inflation or foreign exchange costs. This means a cut in real terms, achieved partly by redundancy for 1,000 of the UN's 10,000 staff.

But this will not make the UN more efficient unless redundant activities are also pruned. The Committee on Missing Persons in Cyprus continues, although it has not found a single missing person in 22 years. (Cyprus has powerful friends in the US Congress, as well as a vote at the UN.) So does the Scientific Committee on the Effects of Atomic Radiation, set up supposedly as a one-year exercise in 1955. This is not the fault of the secretariat, which is mandated to carry out these activities by the General Assembly. It is indirectly the fault of the US itself, which back in the 1980s insisted that the budget must always be adopted by consensus, thereby giving every member state a veto on deletions as well as additions.

Since the adoption of this year's UN budget, new mandates have been voted with strong US support: a UN political presence in Guatemala and human rights monitoring in Haiti. Boutros Ghali has said he cannot implement these without new money, but the US insists they must be funded within the agreed ceiling, and that out-of-date activities must be scrapped to make room for them. As a result the General Assembly may at last be forced to "prioritise" its mandates, sacrificing some of the hoarier ones.

It is no way to run a whelk stall, let alone a world organisation. But the US stranglehold may be the only way the UN can be reformed at all.

Colin Keating, the New Zealand ambassador who chairs the General Assembly's high-level working group on strengthening the UN system says that everyone agrees on the need for reform. The only question is "whether it should be done incrementally or whether there are real advantages in some kind of big bang". He himself favours the big bang, on the basis of New Zealand's own experience.

There, the big bang was imposed by impending financial catastrophe. Mr Keating believes a similar dynamic may eventually affect the UN. At present, he says, "too many people don't really accept there's a crisis: they think it's just a question of hunkering down." But, given the US commitment to eliminating its fiscal deficit within seven years, he believes it is "cloud-cuckoo land" to believe the US will ever agree to pay promptly and in full the amount for which it is now assessed.

Boutros Ghali: not yet officially declared his candidature

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Labour cost competitive advantage

From Mr Norman Rose.

Sir, I was interested to read the article "Investment by German industry rises steeply" (April 30), endorsing the competitiveness of the UK's flexible labour market. However, it omitted to mention the crippling non-wage labour costs in Germany, including unlimited 100 per cent sick pay and huge welfare contributions. The differential in non-wage labour costs across the EU reveals why the UK is a hotbed for investment: employers find that in the UK they pay only an extra £18 for every £100 of wages paid, compared with £32 in Germany and £41 in France.

Many European countries are fast realising that their non-wage labour costs are too high and that the UK is at a competitive advantage. As has been widely publicised, the German federal government is currently striving to tackle mounting unemployment by reducing social charges.

Members of the Business Services Association are in no doubt that any significant increase in non-wage labour costs would have a detrimental effect both on employment levels in UK industry and on the country's international competitiveness. Similarly, unless the EU moves to reduce burdens on employers, bringing costs at least into line with current UK levels, its members will struggle to attract inward investment in a competitive global economy.

Norman Rose,
director-general,
Business Services Association,
Commonwealth House,
1-19 New Oxford Street,
London WC1A 1NU, UK

Manchester United club in question

From Mr Paul Wogan.

Sir, Your report on the sentence handed down to Mr Matthew Simmons ("Football fan attacks lawyer", May 3) is wrong on two points.

Mr Eric Cantona plays for Manchester United, not Leeds.

The match in question was between Crystal Palace and Manchester United.

In your defence, I must dmit that I don't buy the FT for its sports coverage.

Paul Wogan,
chief executive,
Seachem Tankers,
"George V",
14 Avenue de Grande Bretagne,
Monte Carlo MC 98000,
Monaco

Right stance taken on BSE

From Mr Douglas Hogg MP.

Sir, Towards the end of your front page report "UK beef ban will be lifted in stages, says EU" (May 1) on the current BSE negotiations in Luxembourg, the contention was made that eight positive findings for mammalian protein in ruminant feed would increase doubts over the government's measures to curb BSE. In fact, the opposite is true.

The government moved swiftly to implement the Spongiform Encephalopathy Advisory Committee's advice to prohibit mammalian meat and bone meal from all farmed animal feed with effect from March 29. The need to do so was to remove any possibility of ruminant feed being contaminated by mammalian protein incorporated in feed for non-ruminants during the production of feed or on farm.

The eight samples in question were taken *before* March 29 when the new regulations came into force. Although eight positive results out of 834 feed samples indicates that cross-contamination in feed mills was taking place at very low levels, the fact it was taking place confirms that the government was right to implement the committee's advice in full and as rapidly as we did. Weekly inspections at feed mills and rendering plants, together with regular farm visits, will act as a further safeguard on compliance with this measure.

Douglas Hogg,
minister of agriculture, fisheries and food,
Whitehall Place,
London SW1A 2HH, UK

More airline competition like this needed

From Mr Benedict Smith.

Sir, I was amazed to read in Michael Skapinker's article on European airline deregulation ("An airline faces the fax", May 4/5) that a reason given by Schipol airport for why EasyJet should not start to fly the London-Amsterdam route was that this service was already well supplied, with many flights at "competitive prices".

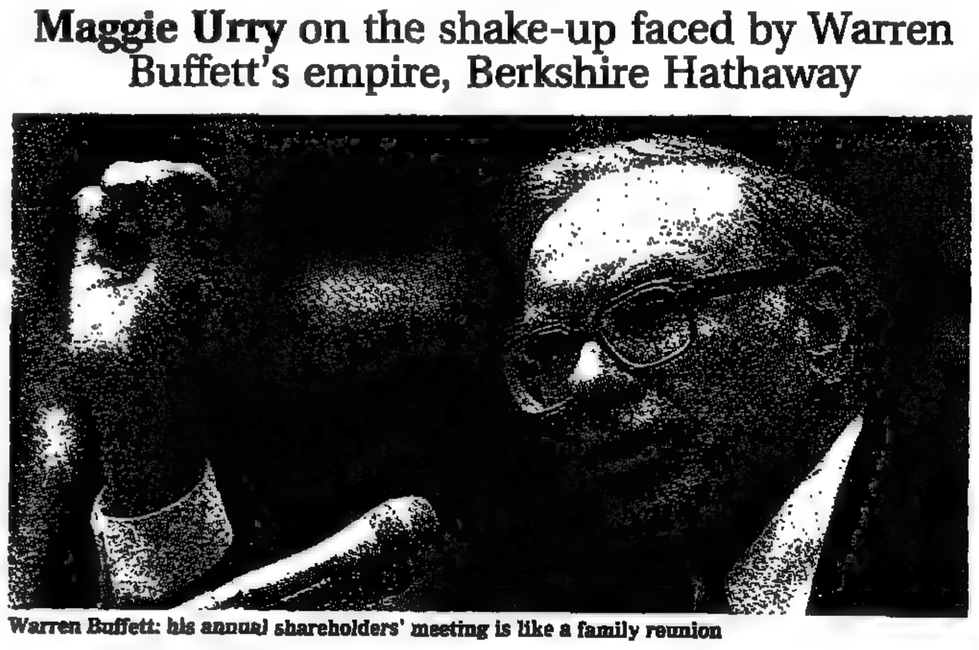
Is this a new development? EasyJet's advertised no-frills Amsterdam-London prices in the Netherlands undercut most of the other carriers by nearly half and these carriers' Amsterdam-London return flights cost twice as much as the same journey the other way around.

Let's have more – not less – of this type of real competition. Going without a drink for 45 minutes is a small sacrifice to make!

Benedict Smith,
Herengracht 89,
1015BD Amsterdam,
The Netherlands

Small shares, big steaks

Maggie Urry on the shake-up faced by Warren Buffett's empire, Berkshire Hathaway



Warren Buffett: his annual shareholders' meeting is like a family reunion

When Warren Buffett pitched the first ball at Saturday night's Omaha Royals baseball game, the festivities had officially begun. Once again "The Whip" – as the stadium announcer generously referred to the multi-billionaire, although his pitch failed to reach home plate – had attracted a crowd of faithful followers for a weekend of events culminating in Monday's annual meeting.

Hundreds of shareholders of Buffett's Berkshire Hathaway insurance and holding company shivered in the stands of the Rosenblatt Stadium, watching the Royals beat the Louisville Redbirds 2-0. Buffett has a personal 35 per cent stake in the Omaha team, which plays in a fine ball-park with views across the Missouri river to Iowa. He has seen to it that the hot dogs on offer are the best in the country.

On Sunday, the luckier ones joined Buffett for brunch at Omaha's Happy Hollow Country Club before heading to Borsheim's, Berkshire's jewellery store, and visiting Mrs Rose Blumkin, the 102-year-old founder of the Nebraska Furniture Mart, another Berkshire business.

Then, in the evening, it was on to Gorat's, a steakhouse run by one of Buffett's high-school classmates, where a special Buffett menu of rare T-bone steaks and hash brown potatoes had been laid on. Throughout the weekend, the tall, lanky sage, with the air of a professor and the voice of Jimmy Stewart, was signing autographs and having his picture taken with admiring shareholders.

Once a year, Buffett's home town of Omaha, Nebraska, a sprawling mid-west city of 335,000 people, turns into a Buffett theme park. But all that is about to change. Monday's meeting may be the last to be conducted like an annual family reunion, where babies in pushchairs are as welcome as 99-year-olds in wheelchairs.

For the main item of business on the agenda was to approve an issue of new Class B shares, each representing one-thirtieth of the value of an A share. The A shares trade at a daunting $35,000 each and demand for the new, lower-priced shares is very strong among individual investors, even though each B share carries only one two-hundredth of the voting power of an A share. About 350,000 of the new shares are already spoken for, and by next year the 20,000-strong shareholder body is likely to have expanded enormously.

Although the meeting has grown from only 12 people 15 years ago to 5,400 this week – and an old-timer mutters that it has become "the greatest hog wrestle I've ever seen" – it is still a curiously intimate affair. This year, waiting shareholders, who began arriving at 6am, were entertained by Warren's "home movies", including one of him accompanying his wife – a nightclub singer – on the ukelele.

Shareholder questions during the meeting frequently begin with a brief trading of greetings between the patriarch and the investor.

"Norton," says Buffett, spying a friend. Buffett asks the attendant to pass the friend the microphone. "Thank you, Warren, for including me out of order," begins Norton. "It's good to have you." Buffett replies, and turning to the rest of the audience explains, "Norton represents a family that came in nineteen-fifty er. . .six," he remembers with a little help from Norton. "That joined up with the [Buffett] partnership and has been with us ever since." "A very fortunate connection," says Norton. "Both ways," Buffett responds, amid applause and laughter.

Buffett has long opposed splitting the stock to lower the share price. He is reluctant to attract investors who might view the shares as a way to a quick profit or a guaranteed method of turning $100 into $1,000. He often boasts in the annual report that 98 per cent of the shareholders at the end of a year were holders at the beginning.

Further, he believes that his shareholders are of a higher quality than those of many other companies and that they think more deeply about their investment. The Berkshire meeting attracts a better standard of questions, he asserts.

As if to illustrate the point, towards the end of the five-hour meeting, one shareholder from the Virgin Islands, sporting a grey ponytail and grizzled beard and dressed in blue jeans, asks how Geico, an insurance company which Berkshire acquired early this year, might change its asset allocation policy under its new owners. "That's a very shrewd question," observes Charlie Munger, Buffett's partner. An investment banker involved in the Geico deal later remarks that the detailed question from the shareholder was better than any asked by insurance analysts on Wall Street.

Yet Buffett's renown as an investor has forced him into the B share move. Two investment groups had notified the Securities and Exchange Commission, the federal regulator of the securities markets, of their intention to launch unit trusts to hold Berkshire stock which would allow smaller investors a chance to buy a slice of Buffett.

Buffett is confident his plan to issue "baby Berkshire" shares should defeat the unit trusts which, he fears, would have promoted the Berkshire name to less well-informed investors, raising unrealistic expectations leading to disappointments, and charging them high fees in the process.

None of the shareholders argued against the plan, and the resolution was overwhelmingly approved. But behind their questions was an element of sadness that perhaps the family will lose its intimacy.

And another concern was raised: Buffett's personal safety. Although Buffett, who is 65, will never retire – he and Munger quip that they will still be on the platform when they are too demented to remember who the other is – the annual question of what might happen if Buffett were hit by a truck had a new dimension this year.

One concerned investor says she has seen Buffett's picture in newspapers, and not just in financial magazines. "I don't like the idea that you're so visible. Do you understand what I'm saying?" "I understand exactly," Buffett agrees. "It's occurred to me."

There is one other problem generated by the B share issue – where to hold next year's meeting. Buffett admits he has not figured out a solution yet. The meeting is already held in a convention centre that is the largest such venue in Omaha, and even so hundreds of shareholders had to participate from two overflow rooms with closed-circuit television.

"I know you won't leave your beloved Omaha," says one shareholder, "but maybe you could build a stadium, covered, with adequate parking?" Buffett may have to take up her suggestion.

FINANCIAL TIMES

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Wednesday May 8 1996

The risks of polarisation

Much ink has been spilled over the potential risks of economic globalisation, for rich and poor countries alike. Workers and companies in the developed world worry about having to compete in a single world marketplace; developing countries fear that it will be a byword for exploitation by multinationals.

The World Bank makes a valuable contribution to this debate in its latest annual survey of global economic prospects, by reminding us of the greatest danger of all. That is, that greater economic integration among certain countries, far from globalising the world economy, will leave it even more starkly polarised than before.

In aggregate, as the report notes, the developing world has received its fair share of the increase in international trade and financial flows of the past 10 years. Yet while some emerging markets are gaining entry to the rich country club, many others are "lagging in integration"; or, more honestly, falling further and further behind.

Looking ahead, the Bank firmly expects the general trend towards greater economic integration to continue – indeed, accelerate. Yet it warns that, on unchanged policies, many developing countries will continue to lose ground.

How might such an outcome be prevented? First, as the report notes, the rich countries must act to reduce the external obstacles to exports from would-be trade liberalisers in the developing world, including non-tariff barriers such as anti-dumping suits as well as more visible monstrosities such as the European Union's Common Agricultural Policy.

Yet the largest barrier to greater economic integration is always internal. Opening up to world markets brings burdens as well as opportunities, which many politicians are reluctant to take on. They have not only to persuade their subjects that the long-run benefits of openness outweigh the initial costs. They also have to pursue the sound macroeconomic policies necessary to ensure that those benefits are realised.

The urge to put off greater integration may be understandable, but it is becoming hard to forgive. The increasing polarisation in living standards between integrating and non-integrating developing countries says more than any external adviser ever could about the privileges of joining the club. Whatever the price of membership, governments should be in no doubt that the costs of exclusion are higher still.

Spy follies

There is an awful sense of *déjà vu* about the latest spy spat between Russia and Britain. Just when one might have thought such thoroughly counter-productive exchanges would have been buried with the Berlin wall, the actions and rhetoric of the cold war are back to haunt us. Sadly it shows how little, at least in some cobwebbed corridors, things have changed. Spies are still spying, and security services are still stirring up suspicion.

The arrest of an alleged informer of the British intelligence service in Moscow, and the threatened tit-for-tat expulsions of significant numbers of diplomats on both sides, comes only a very short time after the G7 summit in the Russian capital. Mr Boris Yeltsin and the G7 leaders agreed there on close intelligence co-operation to prevent the proliferation of nuclear arms and material. That is a vital task. This row will hardly help to realise it.

In the tense pre-election atmosphere in Moscow, such incidents are perhaps inevitable. There is a suspicion there that the whole affair might be a deliberate effort to cultivate a tough nationalist image. That could be very helpful in Mr Yeltsin's battle for the presidency. One might almost argue that it would be in Britain's interests to allow the row to be stoked up to the maximum, if that would enhance Mr Yeltsin's chances against Mr Gennady Zyuganov, his Communist rival.

But such behaviour would be foolish. In all previous squabbles, both sides have ended up worse off: genuine experts have been recalled and banished to other jobs, making the difficult task of mutual understanding even more complicated. The British government should not allow wounded pride to precipitate a blatant tit-for-tat and should limit its response.

The justification for such caution is not, however, to protect espionage as such. All information gathered by spying, especially when bought for cash, should be treated as highly suspect. That is why double agents flourish in that murky world. The spies end up spying on each other, and not on the real world. The risks of false information are particularly high in a country like Russia where potential sources are so ill-paid.

There will always be a need for intelligence, not least in areas where co-operation is essential: curbing organised crime and, certainly, nuclear smuggling. Beyond that, the spies should be kept firmly in their place: out in the cold, preferably unemployed.

Welfare policy

As a concentrated burst of platitudes, yesterday's speech on welfare policy by Mr Chris Smith, Labour's social security spokesman, takes some beating. "In the modern world", declared Mr Smith, "I want a *welfare system* that works, that delivers social justice, that provides real protection, that helps the climb back into work, that secures people's retirement, and I want government to guarantee that to every citizen."

The most intemperate right-wing welfare cutter would be hard put to disagree. Everything depends upon how Labour intends to honour its "guarantee". Mr Smith had little to say about that, beyond offering new studies on the definition of poverty. He pledged that specific policies would be forthcoming, but sharp shadow cabinet disagreements about the few proposals as yet floated publicly – such as the withdrawal of child benefit from 16- to 18-year-olds in return for enhanced training opportunities – suggest that Labour's thinking on policy is not far advanced.

Mr Smith's speech was most notable for his emphasis on what would *not* change under Labour. In particular, he said he has no intention of pushing the £90bn social security bill up higher, an idea he associated with the "old statist left". His emphasis was on policies easing the passage from welfare into work, and advancing the role of government as "regulator" rather than the invariable provider of social security. But until some concrete policies are forthcoming, it is impossible to judge whether this means a lot or nothing at all. If it means shifting the costs onto business, it could be disastrous.

More concrete was yesterday's government consultation paper on long-term care for the elderly. It sets out tentatively several proposals to encourage people to protect their homes and savings, while financing residential care in old age. These include restructured occupational pensions, and "partnership" schemes under which individuals would take out insurance to cover care costs in return for a substantially increased disregard of capital wealth by the state in the event that the costs exceed the insurance pay-out.

These various proposals are to be welcomed as a first step on the road to encouraging greater personal provision for the hazards of old age. The viability of the occupational pension proposal – under which individuals could opt, on retirement, to defer part of their pension until a later date – is questionable, but it is worth discussion. Much will depend upon the associated regulatory structure, particularly the terms upon which funds can accept or refuse requests for deferment.

The suggested "partnership" insurance scheme is more straightforward. There appears – rightly – to be no question of tax relief being offered on the premiums, which are essentially a form of asset protection. The cost to the taxpayer is unlikely to be great, since on yesterday's plan the assets disregard extends only to £1.50 for every £1 of insurance benefit paid out – or somewhat more under an option requiring self-provision for four years, which is longer than today's average stay in residential care.

The issue is whether such inducements will do much to stimulate the insurance market. The chances of an individual requiring residential care are around one in five, so premiums will be steep. Still larger incentives could hardly be justified, unless the government is seeking to protect the assets of the affluent at the expense of the wider community.

Component for success

The proposed merger of Lucas and Varity aims to create a global vehicle parts manufacturer, says Tim Burt

In the highly competitive motor components industry, success is now largely seen in terms of size. By the end of the decade, most industry executives think there will be no more than 20 groups capable of supplying carmakers on a global scale.

That is the rationale behind the talks between Lucas Industries of the UK and north America's Varity Corporation which this week admitted they were discussing a possible merger. At present, both companies are successful medium-sized suppliers – but both believe that they need to grow much larger to meet international demand.

"The days of regional players are over," says Mr George Simpson, chief executive of Lucas. "Vehicle producers must see the world market as their target in order to survive. There will be a major consolidation of players as companies seek strategic alignments or mergers to meet the global challenge."

The two companies appear ideally suited, with common interests in brakes, automotive electronics and diesel systems. Lucas is strong in Europe and the Pacific Rim, while Varity is dominant in the US.

Mr Simpson has been seeking a partner for some time and has stepped up the search in the hope of securing a deal before his departure later this year to GEC, where he is to become chief executive in succession to Lord Weinstock.

After considering overtures from other manufacturers, notably Valeo of France and Britain's T&N, Mr Simpson has settled on Varity as Lucas's preferred partner. His ambition, shared by Mr Victor Rice, his Varity counterpart, is to create a group that will be one of the top 10 component suppliers by 2000.

In Europe, Lucas is already one of the largest manufacturers of foundation brakes, the basic component for all vehicles. But when he presented Lucas's interim results in March, Mr Simpson said sales of braking and diesel systems had been adversely affected by sluggish market conditions there. He admitted that Lucas needed to expand further and was unlikely to do so through organic growth, forcing it to consider acquisitions or mergers.

Yet most of its big competitors in north America have already been accounted for. Last month, Bendix – Allied Signal's brakes subsidiary – was snapped up by arch-rival Robert Bosch of Germany for £1bn. Delco, the US brakemaker, is part of General Motors, while Teves is owned by ITT, the US industrial conglomerate.

The only other supplier with more than 5 per cent of the international brakes market is Kelsey-Hayes, the braking subsidiary of Varity. It has over 25 per cent of the US market for anti-lock braking systems and is the biggest brake systems manufacturer in North America. Last year it sold $1.4bn of brake systems, most of them in parts of the world where Lucas is under-represented.

Varity also has other assets of interest to Lucas, which could help the enlarged group become one of the elite global components suppliers. Of those businesses, Lucas would be keen to merge Perkins, Varity's UK-based diesel engines manufacturer, with its diesel systems business which makes fuel injection pumps. Dayton Walther, the US group's brake and wheel components business, and its Zecal specialist electronics arm could also complement Lucas' brake components and electrical operations.

For Varity, the prospective alliance could help it to overtake component suppliers such as Rockwell Automotive, GKN and Johnson Controls.

The group – which emerged from Massey Ferguson, the tractor-maker – has already been heavily restructured under Mr Rice. That process began in 1989 with the $640m takeover of Fruehauf, the Detroit-based parent of Kelsey-Hayes. At the time, Kelsey was reporting annual profits of $80m on sales of $1.1bn. By last year, operating profits had almost doubled to $111m in difficult conditions.

Mr Matthew Stover, an analyst with PaineWebber, the New York broker, says Kelsey-Hayes's profit margins of 10.4 per cent are now among the best in the sector.

In 1994, Varity finally shed its legacy as an agricultural equipment manufacturer by selling Massey Ferguson for $328m.

Underlying operating profits at Varity rose last year from $118.2m to $139.6m on increased sales of $2.4bn, up from $2.2bn. When Mr Rice became chairman and chief executive of the company in 1980, it was making an operating loss of $300m on sales of $3.13bn. Mr Philippe Gallot, of Brown Brothers Harriman, the private Wall Street Bank, says the improvement reflected stringent cost controls imposed by Mr Rice and heavy investment in new plant and machinery.

"Victor Rice has done a good job by exiting from Massey Ferguson and turning Kelsey-Hayes round," says Mr Stover.

By comparison, Lucas's first half automotive margins of 5.3 per cent look modest – raising questions about the short-term benefits to Varity of forging an alliance with the UK group. Mr Rice, however, sees Lucas as an attractive partner because of its technical lead in braking products. The UK group has used its aerospace expertise to help develop electronic brake controls, the "brake-by-wire" technology.

A merger could also help Varity to improve the performance of its new plant at Heerlen in the Netherlands. The plant was opened in the expectation of lucrative contracts from Volkswagen of Germany and the European subsidiaries of General Motors – but VW pulled out and GM scaled back demand. Capable of producing 1m brake units a year, it is making fewer than 300,000 – and additional production for Lucas could soak up the slack.

And a merger or alliance with the UK group would reduce Kelsey-Hayes's dependence on the US light truck market, a sector where US output fell 7.1 per cent in the last quarter of 1995. Lucas's brake technology gives strength in the passenger car market where it is already a large supplier to BMW and Peugeot among others.

Both sides stress the talks remain preliminary and could unravel. Financial terms – such as the share split – have to be agreed, and either company could fall victim to a predator in the meantime.

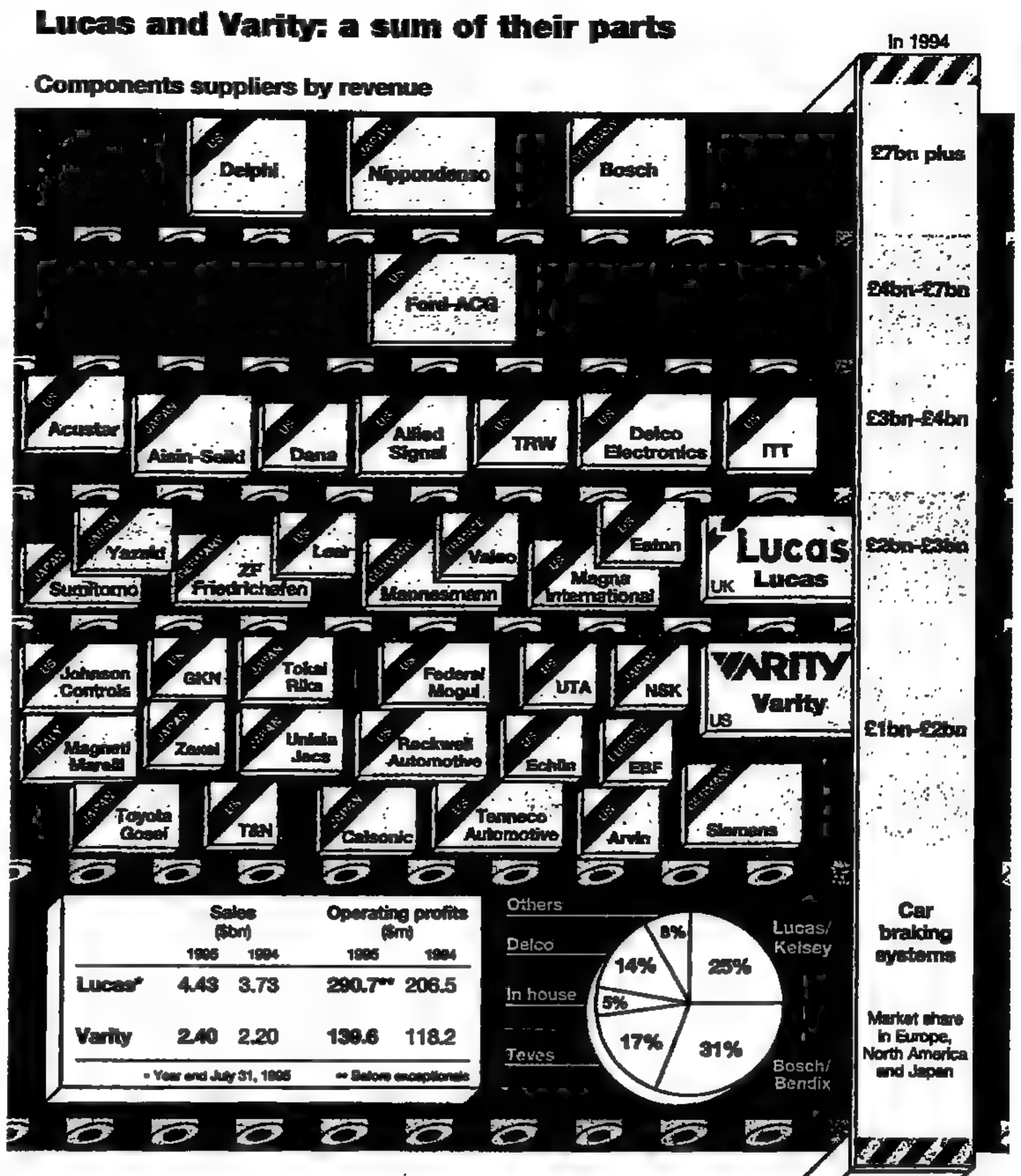
There are other significant hurdles, including the attitude of Lucas's diesel component customers such as Cummings, the engine-maker. They are unlikely to be happy at a prospective link-up with the owner of Perkins, one of their main competitors.

It could also disrupt the strategic alliance between Lucas and Sumitomo of Japan in anti-lock brakes. Lucas says it wants to maintain the Sumitomo link but its Japanese partner may see any merger as a rebuff reminiscent of the sale of Rover Group to BMW to the chagrin of Honda, Rover's one-time ally. Mr Simpson was deputy chief executive of British Aerospace, which owned Rover at the time of the sale.

Finally, some Lucas shareholders are wary that a deal could dilute its modest earnings per share. "Size is not everything. It is quality rather than quantity that determines long-term earnings," according to one large institutional investor.

"The deal might look very attractive when the news first comes out, but until it comes off you can't get carried away."

Lucas and Varity: a sum of their parts



Sources: Lucas Industries, HSBC James Capel

Victor Rice of Varity: motoring in overdrive

A firm grasp of fine detail

Mr Victor Rice, the British-born chairman and chief executive officer of Varity Corporation, is no stranger to spectacular corporate challenges.

He is the man who at the age of 39 took control of the ailing Massey-Ferguson, the Canadian tractor company, and dragged it back from the brink of bankruptcy in the early 1980s. He then sold the core tractor business, changed the company's name from Massey to Varity and moved its headquarters from Canada to Buffalo in the US. He expanded Varity's motor parts business by a combination of acquisition and aggressive cost-cutting.

Still only 55, Mr Rice impresses colleagues with his energy, ambition and attention to detail. Once when asked whether it was true that he slept only four hours a night, he replied no, the correct figure was four hours 23 minutes.

The chairman of a British motor parts company calls Mr Rice "a tough egg", saying: "His style at Varity is tough, cheap and cheerful. It might be difficult to integrate that with the more urbane culture at Lucas."

The son of a Hertfordshire chimneysweep, he left school at 16 and joined Ford Motor as a cost clerk. After a succession of posts in financial management in the UK, he was appointed in 1970 as controller of the north European operations of Massey's Perkins Engines subsidiary. In 1975, he moved to Toronto as Massey's worldwide financial controller. The shareholders decided he was perhaps their last chance and he was promoted above older executives to take charge of the company.

Despite the pressure of keeping the bankers at bay, he retained a grim sense of humour. He once told of the day he sat in a baseball stadium filled with 52,000 people. "I suddenly had this horrifying thought: that everyone there was an ex-employee of Varity. We had just fired our 52,000th person."

His experience of near-bankruptcy confirmed his faith in the importance of short-term financial performance. But he also insists he is "a long-term strategist". And he believes that the need for car makers to fit ever more sophisticated parts to their vehicles means there is a long-term future in car components.

Stefan Wagstyl
Tim Burt

· OBSERVER ·

Psst! Spy for sale, cheap

■ What better background music to a post-cold war spy drama than the nostalgic waxings of the last authentic KGB chief? Just as one of the sorry remnants of the KGB, now dubbed FSB or Federal Security Service, boasted it had nabbed a Russian servant to Her Majesty's Secret Service, Vladimir Kryuchkov published his memoirs on the grandest years of Soviet espionage.

Kryuchkov proudly claims the KGB employed nearly 1m "agents of influence" in Afghanistan alone, and lists the late Josip Broz – better known as Marshal Tito – and other founders of European communist parties as being among his former colleagues.

Nine British embassy employees may be sent packing this week for alleged espionage, almost as many as in a famous tit-for-tat expulsion in 1989. But if anyone should ever have been expelled, it probably was Kryuchkov, when he was attaché at his country's embassy in Hungary in 1956, during the Soviet invasion. Instead, Kryuchkov moved on to become head of foreign intelligence in 1974, and spy master in 1988.

He bungled the August 1991 coup against Gorbachev, even forgetting to bother controlling the airwaves. Never mind – many of his old mates are now making a decent living advising capitalists on how to prevent office burglaries.

Count us out

■ The good news is that the US has fewer illiterate and innumerate job applicants today than in 1994, when the figure was 38.5 per cent. The bad news is that the 1995 rate is still one in three. The weird news is that American job applicants were doing rather better until quite recently; in 1990 only 26.3 per cent of job applicants failed the basic skills tests of the annual survey conducted by the American Management Association.

The association mailed questionnaires to human resource managers at all of its 9,500 US member companies in January 1996, asking for 1995 testing data. About 10 per cent of companies responded. And the others? They're still trying to figure out what this piece of paper says...

Excuses, excuses

■ Warren Buffett, chairman of Berkshire Hathaway, had impressive results to report at the annual meeting. The board had lost 100lbs over the last 12 months, with him and his partner Charlie Munger losing 30lbs each – and that despite their continued role as chief tasters for the company's See's Candies subsidiary.

Buffett certainly looked fit warming up to throw out the first ball at the baseball match on Saturday night. He had arranged with the catcher that, on receiving the ball, he would remove his glove and shake his fingers to show what a fast ball it had been. But when it came to the ceremonial pitch the ball hit the ground short of the plate and rolled along the ground to the catcher. "It was a premature sinker," Buffett said at the annual meeting on Monday, "and very hard to hit, I might add." Not losing his touch, is he?

Algy soldiers on

■ At the age of 56, the socialite former guardsman Algy Cluff remains as besotted as ever with Africa and its gold potential. The flamboyant entrepreneur who still chairs The Spectator and who once raised money for the Conservative Party, has been doing a bit of fundraising to support his love. But he is being jolly discreet as to the identity of those who are providing the bulk of the cash enabling him to go gold mining again – just four months after Ashanti Goldfields of Ghana bought Cluff Resources, for a consideration of £80m.

No prizes for guessing that the financial backers for the not very originally titled Cluff Mining are not the banks. "Banks don't understand either mining or Africa so I needed shareholders who do", he grunts. Indeed, Cluff and the banks were not best of friends over Cluff Resources's 25-year life – "my big mistake was not buying assets to generate cash flow in the early days," he recalls. "I was constantly having to raise more money from shareholders to drill wells that turned out to be dry." When he switched to gold mining in Africa, everybody said he was crazy, not just the banks.

Instead, the funds have been forthcoming from "substantial mining houses and we have ample funds," says Cluff. "There are very many mining companies competing for projects" on the Continent.

The organisation, of course, that best understands Africa and mining is Anglo American Corporation of South Africa. Indeed it would be quite surprising if either Anglo, or its controlling Oppenheimer family, were *not* involved with Cluff in some way.

Red-handed

■ Red faces in Moldova yesterday, where it emerged that the country's justice minister had been caught driving a stolen car. The police impounded an Audi being driven by Vasile Sturza, while on a private visit to Austria. Sturza said he was temporarily borrowing the car from a friend – who appeared to have borrowed the Audi on a more permanent basis from its original German owner. The car was reported missing in 1994.

Financial Times

100 years ago

Pennsylvania Railroad jubilee

In Philadelphia they have been celebrating with great enthusiasm the jubilee of the Pennsylvania Railroad. As an indication of the spirit in which the occasion was honoured, we may quote the following from the "Philadelphia Times":- "In its half century of progress the railroad has grown until to-day the gross revenues of the Pennsylvania Railroad Company are more than three times the entire revenues of the United States Government when the company was first incorporated, and it employs more than thrice the number of men engaged in the entire Government service fifty years ago."

50 years ago

Pan American World Airways [Advertisement] "The vast experience with which Pan American World Airways has gathered in 18 years of trans-ocean flying has been gained in every phase of air services. 4,794,800 passengers, travelling to 68 different lands, have pleasant memories of the Pan American service to travellers. It is the specially trained Pan American stewardesses who make Clipper travel so pleasant. They help to run the regular direct service, London to New York, in 19 hours 25 minutes.

FINANCIAL TIMES
Wednesday May 8 1996

Lloyd's hit as US Names secure ruling over losses

By Ralph Atkins in London

Lloyd's of London was thrown into fresh difficulties last night after the Securities and Exchange Commission, the US securities regulator, appeared to give a significant boost to US Names seeking legal redress for their losses.

The SEC intervention comes at an awkward time for Lloyd's, which needs approval in coming months for a recovery plan that includes a £3bn-plus ($4.5bn) out-of-court award to end litigation.

However, any threat to the recovery plan caused by the SEC was offset by two important legal victories by Lloyd's yesterday.

In the UK, the High Court rejected lossmaking Names' claims that Lloyd's had breached European Union competition law by operating a "central fund" which pays policyholders' claims when Names are unwilling or unable to pay debts.

If the validity of the central fund had been threatened on the grounds that it amounted to a cartel agreement, Lloyd's ability to collect debt would have been severely hampered and the market's future thrown into doubt.

Last night, the insurance market said the judgment "enhances considerably the ability of Lloyd's and its agents to collect outstanding debts owed by members".

In a second victory, legal action brought by the California Department of Corporations, alleging that investment in Lloyd's was "mis-sold", was dismissed by a US district court.

The case had been a particular headache for Lloyd's because the state securities regulator had sought to freeze funds held in trust to support Lloyd's US underwriting. The department could re-file, however.

The SEC involvement is in a legal action brought by 600 US Names, alleging that Lloyd's breached US securities law, which is being heard in a federal court in California. In the past, Lloyd's has successfully argued that such cases should be heard in UK courts.

However, in a surprise move the powerful SEC has filed a motion arguing that "anti-waiver" provisions in US securities laws should prevent the enforcement of such clauses specifying where disputes are heard.

Mr John Avery, a SEC spokesman, said it was clear UK courts would not judge alleged breaches of US securities law and "if the English courts won't hear them, then the American courts should hear them".

Last night Lloyd's said the case was likely to take many months before it was heard – by when the recovery plan should be implemented.

But many lossmaking Names believe they have a better chance of proving fraud – and obtaining compensation – in US courts.

That could increase Lloyd's difficulties in collecting debts from US Names, create uncertainty about possible compensation bills, and dissuade US Names from supporting the recovery plan.

British opposition pushes for sterling to join Emu

By Robert Peston in London

Britain's opposition Labour party yesterday took a significant step towards backing sterling's membership of a single currency in 1999, in a robustly pro-European speech by its finance spokesman.

Mr Gordon Brown, the shadow chancellor of the exchequer, who was speaking in Bonn, lowered the hurdles for a Labour cabinet to support monetary union involving the pound by fleshing out the criteria on which such a decision would be made.

He also argued enthusiastically for the "substantial benefits" of a single currency, in terms of "stability, lower interest rates and reduced currency speculation".

There were no arguments of principle against joining, but a series of "practical problems" that needed to be solved.

Labour has consistently said it would only endorse monetary union if there was convergence between the "real economies" of participating states, in addition to the financial convergence outlined in the Maastricht treaty.

Mr Brown yesterday said "real convergence does not . . . mean we have to have exactly the same levels of output or productivity".

Instead, Labour would make a judgment that "their trend" would not "threaten to diverge faster than other means of adjustment in unit costs can cope". As chancellor, he would take a view about whether monetary union would have the effect of "locking in uncompetitiveness or unemployment".

Mr Brown is understood to believe that this does not represent an insuperable obstacle to joining at the earliest opportunity in 1999.

His enthusiasm for monetary union may cause a rift with some shadow cabinet and backbench colleagues, in the wake of their anger at his recent announcement that a Labour government would be likely to abolish the payment of child benefit to parents of 16 to 18-year-olds.

The Conservative government, which has shifted in a Eurosceptic direction, will also attempt to exploit Mr Brown's advocacy of "the huge benefits that Europe has already brought" and the need for "greater co-operation" within the European Union.

Mr Brown acknowledged the widespread disillusion with the European institutions, but he believed it was possible to "secure greater and more effective integration in all our interests while at the same time making Europe less centralist and bureaucratic".

Mr Brown attempted to root much of Labour's domestic agenda in an EU context. Europe, he said, should "take the lead in tackling the problem of persistent unemployment". But he strongly attacked the Common Agricultural Policy.

Crackdown urged on global trade in illegal CFC gases

By Leyla Boulton in London

Western governments were urged yesterday to mount a co-ordinated crackdown on smuggling of chlorofluorocarbon (CFC) gases, which is undermining an international treaty to repair the ozone layer.

A report by the London-based Royal Institute of International Affairs said Russia was the main source of exports to the developed world of CFCs, which destroy the ozone layer and are banned under the Montreal Protocol of 1987.

It suggests that a black market in the substances – which are cheaper to use for commercial refrigeration and air conditioning in cars than approved substitutes – is greatest in the US. The market is estimated at 9,000-18,000 tonnes a year. By the end of last year, US authorities had convicted 13 people for smuggling what is believed to be the most profitable contraband to pass through Miami after cocaine.

Usually, the CFCs are smuggled in falsely labelled shipments of chemicals.

The report also says illegal CFCs are a problem in Taiwan, which plans to draw up legislation to combat imports from China, and Europe, which is a stopping-off point for CFCs from Russia. Mr John Gummer, the UK environment secretary, said Russia was "playing a big part" in the appearance of illegal CFC imports in Europe. He said he would raise the issue at the next meeting of EU environment ministers next month.

Mr Duncan Brack, a senior research fellow at the institute and the report's author, urged the EU to follow the US lead of a co-ordinated effort between the Environmental Protection Agency, customs and other law enforcement bodies.

Mr Brack said the illegal trade could delay by a generation targets for the worldwide phasing out of CFCs. The ozone layer protects the planet from ultra-violet radiation which can cause skin cancer, eye cataracts and other illnesses.

The production and export of CFCs has been banned in the industrialised world since January, while developing countries face deadlines stretching into the first half of the next century. CFCs and temporary replacements for them are due to be phased out completely by 2050.

Russia is pleading for more time and help to meet the developed world's obligations to end the production of CFCs. But agreement on financial aid is being held up by Russia's failure to provide statistics on CFC production and exports demanded by the World Bank.

Indian poll

Continued from Page 1

exit poll yesterday, Mr Rao, the prime minister, would come under considerable pressure to quit, both from other potential coalition partners and a number of disaffected ex-Congress factions which split from the party during the campaign.

The result suggested by the poll would leave the race for India's prime ministership wide open. Official counting begins today and the main voting trends will become clear tonight as early results emerge. A final tally of seats is not expected until Friday or Saturday.

China warns over tariffs

Continued from Page 1

heads over arms proliferation, human rights and the bilateral trade imbalance. The US says it reached $34bn last year in China's favour, but Beijing claims that figure is inflated by including exports from Hong Kong.

Meanwhile, the US is grappling with a difficult decision on renewal for another year of China's most favoured nation trading status. Congressional opponents of renewal argue China should be penalised for what was regarded as its recent bullying of Taiwan and the market access and piracy issues.

● Sir Leon Brittan, the European Trade Commissioner, said yesterday he favoured the "fastest possible negotiations" on Chinese entry to the World Trade Organisation. But the WTO was a "rules-based organisation and we can't engineer China membership on false terms".

China responded sharply, saying it had met criteria for membership and was being kept out by exorbitant demands and political interference. "There are only two obstacles on the road to entry," a spokesman said. "One is some countries have put forward some exorbitant demands . . . and another is political disruption."

THE LEX COLUMN

Re-engineering Varity

The most surprising thing about the proposed merger between Lucas and Varity is that it was not discussed earlier. Both companies have been singing from the same song sheet, the refrain being that big is beautiful in the auto components industry. The requirement that component suppliers match car companies' global ambitions and have the capability to develop technologically advanced products provides a compelling argument for this deal. And Lucas and Varity offer a complementary fit. There are no obvious monopoly concerns, given their different geographic strengths, and substantial combined research and development expenditure offers considerable scope for rationalisation.

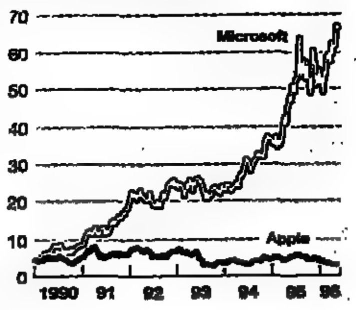
Consummating the merger could be another matter. Lucas' shares rose 12 per cent, on the assumption that this represents a green light for bidders. Varity shareholders may object to a merger based on current prices, given Lucas' much higher market rating.

Nonetheless, they should not protest too much. Lucas' chief executive is about to depart and Varity's boss, Mr Victor Rice, would make an obvious successor; given Varity's greater manufacturing efficiency, that could be profitable for both sets of shareholders. Besides, there would be a high cost to pursuing Varity's global ambitions independently. As for Lucas, shareholders should not attach too much hope to rumours of a hostile bid. It is hard to imagine who would prepared to pay a premium over the current price; if this deal collapses, there must be a decent chance that a patient predator could pick up a strategically bereft Lucas on the cheap.

FT-SE Eurotrack 200: 1710.2 (-2.9)

US computer groups

Market capitalisation, $bn



Source: FT Extel

Apple/IBM

Right move, but 10 years late. That is the harsh verdict on Apple Computer's agreement this week to license its Macintosh operating system to International Business Machines. Back in the 1980s, when Apple was king of the personal computer industry, it refused to license its operating system to other personal computer makers, fearing cheap Macintosh clones would undercut its fat hardware margins. By contrast, Microsoft pursued an open licensing policy. As a result, its Windows operating system rapidly became the industry standard, despite Macintosh's technical superiority.

A vicious circle set in – lower market share pushed up Apple's unit costs. It also meant software developers did not write as many programs for Macintosh machines. Higher prices and fewer applications further reduced Apple's market share. When Apple's technical edge was eroded with last year's launch of Windows 95, it had to cut prices, plunging it into losses.

Apple's decision not to license the Macintosh system goes down as perhaps the most expensive business error in history. If it had, its market capitalisation might be $67bn and Microsoft's $3bn – rather than the reverse. Unfortunately, adopting an open licensing policy now will not put things to right. The deal with IBM is hardly a ringing endorsement; the computer giant is only planning to sublicense Apple's system to others rather than make Macintosh clones itself, and the companies so far revealed – Taiwan's Tatung and Datatech Enterprises of the US – are not exactly top-tier. Very likely, the industry's big guns know the game is up.

Electrolux

The minimal shudder in Electrolux's share price after the company announced a 14 per cent drop in first quarter profits suggests the bad news is already in the price. In fact, the company's prospects remain extremely uncertain. There are a few hopeful signs; even without real recovery, less onerous year-on-year comparisons should make profits appear healthier in the second half, and volumes in the US market are picking up. The problem is that Electrolux's weakish third position in the US market makes for a particularly harsh competitive environment. And in any case, the US is much less important for Electrolux's bottom line than Europe, where the timing of a recovery still looks hard to call.

Electrolux's restructuring has helped slim down the business, even though it has missed the cyclical boat on the planned sale of Granges, its aluminium business. But management is still having difficulty bucking up margins, which are poor by industry standards. At least its expansion into emerging markets appears to be paying off; without its Brazilian business, margins would look even worse. Given the competitive strains in Europe and the US, management is right to pursue expansion into less mature markets.

At around 10 times this year's forecast earnings, Electrolux shares may look cheap, but this represents a relatively small discount to the Swedish market. The stock would undoubtedly benefit from a pick-up in European consumer spending, but there are too many negative factors conspiring against the company to make it an attractive cyclical play.

Midlands/GPU/Cinergy

So much for the British government's attempt to keep foreign bidders out of the power industry. Since Midlands Electricity has no golden share, yesterday's joint bid from General Public Utilities and Cinergy of the US, will almost certainly be allowed – and rightly so. But it will make protecting the generators look even sillier.

Not that Midlands appears to have put up much of a fight. The board could easily have raised the stakes with a juicy defence package. Instead it has agreed a price which, as a multiple of this year's earnings and cash flow, looks below the average for bids in the sector – let alone the fatter recent deals. There are two possible interpretations. Maybe Midlands' management was a little too keen to accept a bid which kept their jobs intact. Alternatively, the prices US bidders are willing to pay are coming down. Either way, yesterday's rise in regional electricity companies' share prices looks perverse; if yesterday's bid is anything to go by, there is little upside left in these frothy prices, even if bids do emerge.

As for the bidders, despite Midlands' readiness to do a deal, they have still not escaped with a bargain. For a start, they have paid a hefty premium for control, yet neither has it; Midlands is to be run through a messy 50:50 joint venture. And they are paying 20 per cent more than PowerGen was offering late last year – despite the fact that PowerGen's bid, unlike yesterday's, would actually have added some value. Cinergy may be the name of one of the bidders, but you would have to search hard to find any.

Lex comment on London Stock Exchange, Page 21

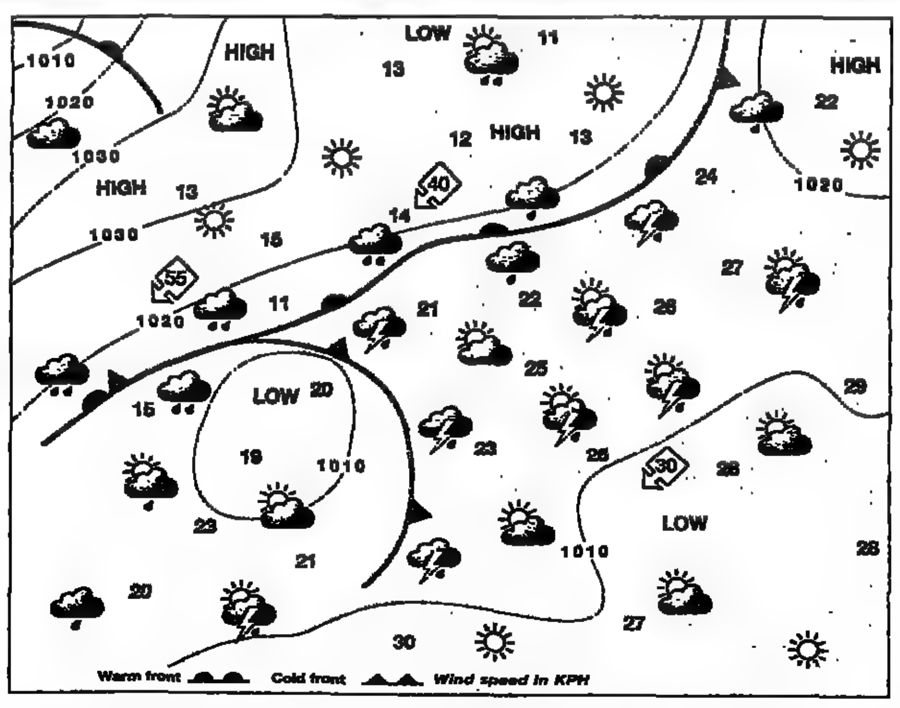
FT WEATHER GUIDE

Europe today

High pressure will promote dry and rather sunny conditions over the British Isles and southern Scandinavia. Moderate to strong north-easterlies will cross a wide zone stretching from Poland via the Benelux countries towards Brittany. Thick cloud and rain will spread slowly northwards. Unstable and humid air will cover France, the Alps and the Iberian peninsula where scattered thunder showers will develop during the afternoon. Showers will spread across northern Italy later in the day but the south will stay mainly dry. Summery air will still cover large areas from northern Russia across the Balkans and the Black Sea towards the eastern Mediterranean. Sunny and warm conditions will prevail in most of these regions but thunder showers will develop along the western boundary of the warm air.

Five-day forecast

Eastern and south-eastern Europe will stay warm, dry and sunny. Low pressure will trigger thunder showers in Greece and western Turkey on Sunday. It will be rather unsettled with showers in the area from Portugal to Italy. High pressure over Scandinavia will draw some of the warm air towards western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	30
Algiers	fair	21
Amsterdam	rain	13
Athens	fair	26
Atlanta	fair	31
B. Aires	sun	21
B.ham	sun	14
Bangkok	thund	38
Barcelona	fair	19
Beijing	fair	21
Belfast	fair	13
Belgrade	thund	25
Berlin	fair	19
Bermuda	fair	22
Bogota	cloudy	18
Bombay	fair	33
Brussels	rain	13
Budapest	shower	23
C.hagen	fair	13
Cairo	fair	37
Cape Town	sun	27
Caracas	cloudy	29
Cardiff	sun	15
Casablanca	shower	23
Chicago	thund	25
Cologne	rain	17
Dakar	sun	28
Dallas	fair	30
Delhi	sun	41
Dubai	sun	39
Dublin	fair	12
Dubrovnik	fair	24
Edinburgh	fair	14
Faro	fair	20
Frankfurt	shower	21
Geneva	thund	20
Gibraltar	fair	21
Glasgow	fair	14
Hamburg	cloudy	14
Helsinki	sun	12
Hong Kong	cloudy	26
Honolulu	fair	29
Istanbul	fair	26
Jakarta	fair	32
Jersey	shower	10
Karachi	sun	40
Kuwait	fair	37
L. Angeles	fair	24
Las Palmas	fair	24
Lima	fair	24
Lisbon	fair	20
London	fair	15
Lux.bourg	rain	17
Lyon	shower	21
Madeira	shower	20
Madrid	fair	19
Majorca	sun	21
Malta	fair	23
Manchester	sun	13
Manila	cloudy	34
Melbourne	fair	18
Mexico City	sun	24
Miami	sun	29
Milan	rain	20
Montreal	cloudy	16
Moscow	cloudy	21
Munich	shower	21
Nairobi	cloudy	27
Naples	shower	24
Nassau	fair	29
New York	rain	14
Nice	rain	21
Nicosia	sun	33
Oslo	shower	13
Paris	shower	19
Perth	rain	23
Prague	shower	20
Rangoon	rain	32
Reykjavik	rain	9
Rio	fair	25
Rome	fair	23
S. Frsco	fair	19
Seoul	cloudy	21
Singapore	cloudy	32
Stockholm	fair	14
Strasbourg	shower	21
Sydney	shower	19
Tangier	shower	21
Tel Aviv	fair	28
Tokyo	rain	21
Toronto	cloudy	16
Vancouver	fair	14
Venice	shower	21
Vienna	shower	22
Warsaw	fair	10
Washington	shower	24
Wellington	rain	15
Winnipeg	rain	14
Zurich	shower	20

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday May 8 1996

IN BRIEF

Trygg-Hansa makes hostile bid for Wasa

Restructuring moves within Sweden's financial services industry took an unexpected turn when Trygg-Hansa, the country's second-largest insurance group, launched a hostile bid for Wasa, a smaller rival, involving a SKr1.5bn ($219m) offer to buy in Wasa's non-life policy holders. Page 16

SAS profits helped by currency gains
Scandinavian Airlines System, which is jointly owned by Danish, Norwegian and Swedish interests, followed a record year in 1995 by almost tripling first-quarter pre-tax profits from SKr78m to SKr245m ($35.8m). But the big jump in earnings was caused almost entirely by positive currency effects on financial costs and disguised a reverse in operating profits. Page 17

Digital hosts launch on Internet
Digital Equipment, the US computer group, held the first live "cybercast" news conference on the Internet to introduce new software products and announce the formation of an Internet software business unit. Computer users around the world were able to tap into the event, listen to a presentation by Mr Bob Palmer, Digital chairman and chief executive, and view graphics. Page 19

LTCB seeks US securities buyer
The Long-Term Credit Bank of Japan is negotiating with several European companies over the planned sale of Greenwich Capital Markets, its US securities subsidiary. It is understood that National Westminster, the UK bank, is at the top of the list of potential buyers of the Connecticut-based broker. Page 20

Merger failure boosts HK Telecom
Shares in Hongkong Telecom continued to surge amid speculation that Chinese interests and rival telecoms companies may seek a stake in the territory's dominant operator. The rally follows the collapse of merger talks between British Telecommunications and Cable and Wireless, the UK group with a majority stake in HK Telecom. Page 20

Vodafone to raise French mobiles stake
Vodafone, the telecommunications group, is paying FFr2.31bn ($450m) to increase its stake in SFR, France's second-biggest mobile telecoms company, in a move which values it at FFr35bn. Page 22

UK utility agrees to US offer
The dwindling band of independent UK regional electricity companies was reduced to five after Midlands Electricity announced it had agreed to a £1.73bn ($2.61bn) takeover by Avon Energy, a new company jointly owned by General Public Utilities of New Jersey and Cinergy of Cincinnati, two US utility groups. Page 21

Animal feed hit by grain price rise
Grain futures on the Chicago Board of Trade have recently been on a rollercoaster ride. The sharp rise has provided a boost to the incomes of arable farmers across the world, but has created severe problems for an already troubled livestock sector, which purchases grain to feed its animals. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	2560	+	17	Docks France	1100	+	38
GEHE	907	+	16.5	St Gobain	619	+	11
Rheinmet Prf	183	+	5	**Falls**			
Schmalbach	305	+	15	Air Liquide	891	–	11
Falls				Elf Aq Cts	335.3	–	14.7
CKAG Col Prf	850	–	12	Fougerolles Bat	4750	–	250
Zanders Fein	101	–	9	Taittinger	1810	–	35
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Diana Corp	48¾	+	2½	Rochan Fds	638	+	27
Fila Hlds	77	+	5¾	Tobishima	510	+	64
Wackenhut	55½	+	2¾	**Falls**			
Falls				Ando Const	630	–	20
Authentic Fit	17⅞	–	3¾	Chuo T & Bnk	980	–	30
[illegible]	18	–	4⅞	Koito Manf	978	–	23
Zenith Elr	19¾	–	3⅜	NOK Corp	885	–	55
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Chiroscience	500	+	45	China Strgic	2.5	+	0.1
Druck Hldgs	3400	+	87	Compass Mrble	1.31	+	0.13
MAID	345	+	23	Shesen Mills	1.28	+	0.11
Ramsdens H	437	+	53	**Falls**			
Falls				Asia Sec Int	1.55	–	0.16
Br Borneo	555	–	18	HSBC China Fd	10.0	–	0.5
Stratagem	127	–	36	Tak Sing Alli	2.9	–	0.15
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Scorpion Min	10.25	+	0.8	Adkam Thai	24.75	+	2.25
Sudbury Cont	16.05	+	1.5	Hua Thai Man	58.0	+	5.0
Tort Sun Publ	15.1	+	0.65	Thai P&C Co	151.0	+	12.0
Falls				**Falls**			
Algolix Bio	23.75	–	0.75	Attached Hosp	38.5	–	3.0
EMJ Data Sys	9.5	–	0.5	Inoue Rubber	73.0	–	8.0
Scott Paper	23.0	–	0.7	Thai OPP	28.75	–	3.25

New York and Toronto prices at 12.30pm.

Paribas to sell building group stake

Deal with Saint-Gobain values Poliet at FFr15bn

By David Owen in Paris

Saint-Gobain, the French glassmaker, is to take control of Poliet in a complex deal valuing the building materials and home products group at around FFr15.5bn ($3bn).

Under the terms of an agreement announced yesterday, Saint-Gobain is gradually to assume control of Poliet's share capital from Paribas Affaires Industrielles, an arm of Paribas, the French financial holding company.

Saint-Gobain will initially pay FFr555 a share (ex-dividend for 1995) for just 4.7 per cent of Poliet's capital, at which point it will take control of the management of the Poliet group.

The rest of Paribas's 56.6 per cent stake looks set to be sold to Saint-Gobain in several stages between 1997 and 1999 via a series of options that the two groups have granted each other. The price for options exercised in 1997 has been set at FFr565 a share, and for those exercised in 1998 and 1999 at FFr575.

Poliet's minority shareholders will have the opportunity to sell their shares to Saint-Gobain under the same conditions as Paribas.

The market responded favourably to the news, with the shares of all three groups rising sharply, although the Poliet share price remained below the level of yesterday's deal at FFr551. Paribas shares gained FFr9.30, or more than 3 per cent, as they climbed to FFr313.30. Saint-Gobain put on FFr11 or 1.8 per cent to FFr619.

For Paribas, the move is in line with its plans – announced in February as it unveiled 1995 losses of FFr4bn – to sell FFr15bn of its "industrial and financial" assets over the next three years, as part of a restructuring to help it prepare for the future.

The deal will enable Saint-Gobain to strengthen its position in the French and European building materials sector, in particular in the relatively stable renovation market, where it expects regular growth of between 1 per cent and 3 per cent a year. It will also significantly increase the proportion of the group's turnover which is derived from France.

The reason for the complex structure of the deal, which is subject to authorisation by the European Commission, is an agreement between Paribas and the French tax authorities reached in 1992.

The company said yesterday that 4.7 per cent of Poliet was "about all we are allowed to sell" before 1997 "without a green light from the tax authorities". If it received such authorisation, it might sell more of the group in 1996.

Share price slides as quarterly payout is pegged

BP posts record first term

By Patrick Harverson in London

Higher oil prices, a recovery in refining margins and the cold winter weather lifted British Petroleum's profits 37 per cent in the first quarter. But the share price fell when the results were announced yesterday because investors were disappointed that the dividend had not been raised.

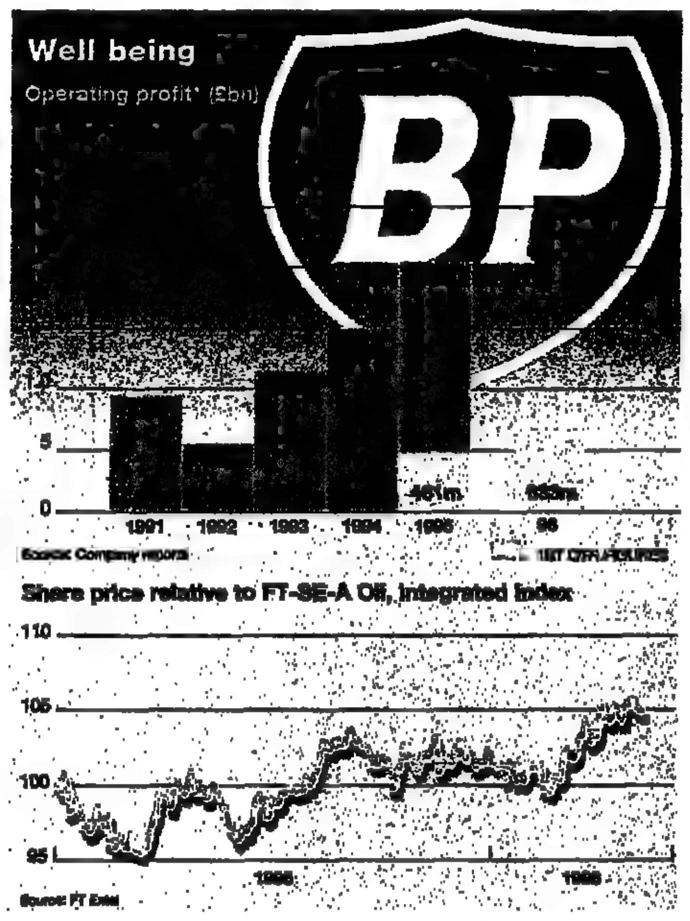
Net profits on a replacement cost basis rose from £461m to £633m ($956m) in the three months to March 31 – BP's strongest ever first-quarter result.

However, the extent of the improvement on a year ago was flattered by the £51m of reorganisation costs BP took in the first quarter of 1995.

The headline figures were ahead of most forecasts, but hopes of a more aggressive dividend policy were dashed when the payment was left unchanged from the previous quarter at 4.25p. At the same stage last year the dividend was 3p.

Although Mr John Browne, chief executive, promised the dividend would be reviewed later in the year, BP shares fell 13p to 569p. "The maintained dividend took some of the excitement out of the results," said one analyst.

Some analysts also warned that while BP had once again exceeded expectations, it was unlikely the group would continue to outperform forecasts. They pointed out that the crude oil price was likely to fall from the first-quarter average of about $18.50 per barrel, that the lift to oil and gas sales from the cold weather would probably not be repeated, and that the benefits from BP's restructuring programme were running out.



Most analysts left full-year forecasts unchanged at about £2.25bn on a replacement cost basis, against £2.01bn last year.

BP said the improvement in first-quarter profits at the group level was primarily due to volume gains and costs savings, the latter stemming from the group's aggressive restructuring.

Among individual businesses, exploration and production operating profits rose to £737m (£543m) on the back of higher oil prices and a weather-related increase in natural gas sales.

Refining and marketing profits rose almost fourfold to £156m (£43m) as cost reductions and a rise in heating oil margins during the cold winter helped refining margins recover strongly. This offset the decline in marketing margins caused by tough competition among pump prices.

As expected, chemicals profits were lower at £128m (£244m).

Earnings per share (before negligible exceptional items) were 11.3p (8.4p).

● BP also announced it had put its US headquarters in Cleveland – valued at $150m – up for sale, although it will lease back some space.

Mitsui Trust adds president to list of bad loan victims

By Gerard Baker in Tokyo

Another leading Japanese banker is to lose his job in the latest demonstration of banks' reluctant atonement for the financial disasters that have plagued the country.

Mitsui Trust and Banking, the third-largest trust bank, announced the resignation yesterday of Mr Ken Fujii, its president, who will step aside next month to become chairman of the bank. He will be replaced by Mr Keiu Nishida, the current vice-president.

Mr Fujii is the third chief of a leading bank to step down in the past month. Others are likely to follow as the banks get to grips with their role in the accumulation of at least Y40,000bn ($381bn) in bad loans at the country's financial institutions.

Mr Fujii tried to play down suggestions that his resignation was directly connected with the bank's problem loans, saying the move was simply an overdue management reshuffle.

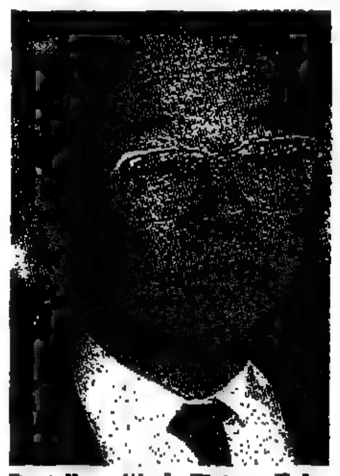
But the decision, which follows Mitsui Trust's announcement of large losses from bad loan write-offs, is certain to be interpreted differently by the public and politicians, who have been calling for the heads of senior bankers. Mr Wataru Kubo, finance minister, has been brutal in his condemnation.

Last month, Mitsui Trust joined other leading lenders in announcing it would declare its largest loss in the year to the end of March because of write-offs. The group said non-performing loan charges of Y470bn contributed to a probable recurring loss, before extraordinary items and tax, of about Y250bn.

Trust banks lent expansively to property developers and speculators in the late 1980s. Mitsui Trust is heavily exposed to some of the bankrupt housing loan companies, most notably Nippon Housing Loan, of which it was a co-founder. The housing lenders' proposed liquidation, involving Y685bn of public money, is the subject of fierce political debate.

Other banks to lose their top men have also been deeply involved with the housing lenders. The Industrial Bank of Japan said a month ago that Mr Yo Kurosawa, its president, was to retire early. Two weeks later he was joined by Mr Toru Hashimoto, the president of Fuji Bank.

However, the departures are largely symbolic expressions of public accountability. The former presidents will continue to draw large salaries in the role of either chairman or adviser.



Brutally critical: Wataru Kubo, Japanese finance minister

German bank aims to provide more value

By Andrew Fisher and George Graham in Frankfurt

Commerzbank, Germany's third largest commercial bank, aims to lift its return on equity to 15 per cent by the end of the century, with the main thrust coming from its expanding foreign activities, according to its chairman, Mr Martin Kohlhaussen.

The bank had previously aimed to reach 10 per cent this year, after achieving 8.6 per cent last year. The new target would still leave Commerzbank below the level of many UK and US banks, but put it among the best performing continental European banks.

"We have worked out that the year 2000 should see 15 per cent for the group," Mr Kohlhaussen told the Financial Times. The bank has already stated that it expected this after-tax rate of return on any new acquisitions. "We cannot make this a prerequisite for acquisitions of others . . . if we ourselves cannot make it."

The bank's higher profitability target represents a growing awareness among German banks of the need to provide more value for shareholders. "Being a private [sector] bank, we are owned by individual and institutional shareholders and we have to comply with their expectations for returns on invested capital," Mr Kohlhaussen said.

He acknowledged that Commerzbank's domestic activities – accounting for about a third of last year's sharply higher operating profits of DM1.45bn ($950m) – would fall short of the 15 per cent target because of growing expenses and investment requirements.

Cost growth was slowing: this year's increase should be around 3 per cent compared with nearly 13 per cent in 1995. "Our cost/income ratio is too high. It was almost 68 per cent at the end of 1995 and has to come down to the low 60s."

The bank's equity and cost ratios compared favourably with other German and Swiss banks, said Mr Kohlhaussen.

Because of Germany's complex banking structure – in which savings and co-operative banks dominate the retail market – the big private sector banks have only around 10 per cent of customer deposits. They believe the best way for them to lift market share is through activities such as direct banking and investment services.

Looking inward, Page 17

Barry Riley

The time horizons of a really prudent man

The paradox of strong markets is that they create their own great expectations. It is logical to believe in a reversion to the mean, in which case the higher that prices rise the more cautious investors should be. But human psychology works the opposite way, so that ever-rising prices generate an ever-growing optimism.

This is a well known feature of the behaviour of amateur investors, so that there is always far more buying of mutual funds at the market highs than when prices are low.

But it applies to professional investors too. Thus the new annual report from consultants Greenwich Associates on US tax-exempt funds shows that in late 1995 the expected return on the S&P 500 had climbed to 9.8 from 9.1 per cent compared with a year earlier, a year itself of 30-odd per cent returns.

Such an increase in expected returns is natural if the recent past is extrapolated during a bull market. This kind of projection of the past into the future is in many respects the curse of our age, the result of the easy availability and manipulation of data, and of the search for hard data.

Everybody wants to believe that higher returns are sustainable. To the corporate sponsor, after all, accelerating returns mean lower costs. It is noticeable in the Greenwich Associates survey that cost-conscious corporate plan sponsors project higher returns than public plan sponsors, while endowments are the least optimistic.

As Greenwich's Mr Charles Ellis says, these projections represent "a breaking away from history the likes of which we've never seen yet".

There is a herd instinct in all this optimism. It is difficult to ignore the shifts of opinion all around. The law courts are more impressed by historical facts than by mere theories. The market is always right, although it may sometimes quite quickly come to a different answer.

Periods such as five and 10 years seem reasonable to the prudent man. In the US equity market, for instance, returns averaged 14.1 per cent a year over the 10 years to the end of 1995, and 16.8 per cent a year in the second half of that period. As for the UK, the returns have been 15.2 per cent a year over 10 years and 16.9 per cent over five. Such levels of return can come to seem natural and appropriate.

> Projection of the past into the future is in many respects the curse of our age

After all, there are lots of plausible brokers around explaining why share prices must go still higher – because of re-engineering, globalisation and so forth.

But the radical alternative is to ignore recent returns and to work on the basis of very long-term valuation models. The annual study *Pension Fund Indicators* from the UBS asset management subsidiary PDFM in London points out, for instance, that the long-term return on equities can reasonably be forecast as: *dividend yield plus inflation plus real dividend growth*, the latter having averaged perhaps 1 per cent *less* than real GDP growth over the past 30 years or so – although in the past year real dividend growth has been an amazing (but quite unsustainable) 8 per cent.

Such a model tells us that the expected long-term return is sensitive to the dividend yield. Currently we arrive at a real rate of return of about 5 per cent but if we could have bought our portfolio in, say, late 1990 – when the dividend yield was 6 per cent – the expected return would have been 7 per cent. The implications for pension costs are enormous.

In the US there is a particular problem because of the collapse of the dividend yield to only about 2 per cent. At present that is admittedly liberally topped up by other methods of returning cash to shareholders, notably buybacks and takeovers, but those channels are likely to dry up in hard times. It is certainly hard to imagine that the future nominal return on US equities will be more than 7 per cent in the long run, so pension plan sponsors are in for a big disappointment.

We must remember that there have been 10-year periods in the past when equity returns have been very poor: about *minus* 3 per cent in the UK in real terms annually during the 1970s, for instance. The really prudent man has a very extensive database.

Roche upbeat on new treatment for Aids

By Daniel Green

The Aids treatment Invirase should become one of the "top drugs" from a series of product launches planned by Roche, the Swiss drugs company, according to Mr Fritz Gerber, chairman.

The company released new data yesterday which showed that when used with the company's older Aids drug Hivid, Invirase reduced the rate of Aids deaths "by more than two-thirds" compared with Hivid on its own. This was among results from a North American clinical trial which tracked the health of 978 patients for an average 73 weeks.

Roche said the data from the clinical trial also showed a reduction in the occurrence of Aids-defining symptoms by "more than half", compared with Hivid alone. The results are despite the fact that Invirase is supposed to be the weakest of the three protease inhibitors on the market. The others are Merck's Indinavir and Abbott's Ritonavir.

However, the Invirase trial was one of the largest and longest yet. Protease inhibitors attack the disease in its more advanced stages by interfering with an enzyme crucial to the survival of the virus.

Mr Franz Humer, director of the company's pharmaceuticals division, said he expected Invirase to achieve SFr200m-SFr500m ($160.9m-$402.3m) in annual sales within five years.

Mr Humer said the future of Aids treatment was through combinations of drugs. He expected sales of all of Roche's HIV treatments to reach nearly SFr1bn within five years.

Roche expects regulatory approvals in Canada and Europe for Invirase this year. The drug has already received approval from the US Food and Drug Administration for uses in combination therapy for advanced HIV infection.

Invirase has already been approved in Switzerland. An application has been submitted for approval in the European Union which could be granted in the second half of 1996.

Invirase is one of several drugs that the company intends to launch this year. It is seeking regulatory approval for Tasmar, a Parkinson's disease treatment, initially in Europe and the US, then in Japan.

In addition to new product launches, Roche said it planned to file for regulatory approval of new indications for existing products, "notably Roferon-A and CellCept".

The company's annual report also said that trading in the first part of 1996 had gone well.

Electrolux down 22% in opening quarter

By Hugh Carnegy in Stockholm

Electrolux, the world's biggest manufacturer of household appliances, yesterday disappointed markets with a 22 per cent fall in first-quarter profits as demand for white goods in Europe fell for the fourth quarter running.

News that pre-tax profits had fallen from SKr1.023bn in the first quarter last year to SKr797m ($117m) was worse than most analysts had been expecting. Net income per share was down 14 per cent from SKr7.90 to SKr6.90. The company's B shares slipped SKr5.00 in Stockholm to close at SKr342.50.

The result was adversely affected by the much stronger value this year of both the Swedish krona and the Italian lira, which hit the big exporting operations Electrolux has in both countries. But slack demand also took its toll.

Group sales rose nominally from SKr26.9bn to SKr27.6bn, but were down more than 2 per cent after excluding acquisition and exchange rate effects. Group operating profits were 23 per cent lower at SKr1.16bn against SKr1.48bn last time. All four divisions – household and commercial appliances and outdoor and industrial products – reported lower sales and operating income.

Household appliance sales, the biggest unit, fell from SKr18.9bn to SKr18bn, leaving operating profits at SKr680m compared with SKr716m, despite higher prices achieved for some products.

"This is the fourth quarter in a row with lower demand for white goods in Europe," said Mr Leif Johansson, chief executive. "But the recent lowering of interest rates in many countries should hopefully lead to stability." He added that he expected a positive effect from lower raw material prices later this year – reversing a recent trend of price increases.

The market outlook was less gloomy in the US, where Electrolux said there was some growth in volume. But Mr Johansson said profits at Frigidaire, the troubled US white goods subsidiary, remained weak. He gave no details.

He acknowledged Electrolux had considered pulling out of the US white goods market but had decided to remain committed to Frigidaire, acquired in the 1980s, which was working at achieving higher margins through premium products.

Electrolux was also hit by the weather in its outdoor products division, the second largest unit. The late spring in both Europe and North America meant sales of garden equipment were sluggish.

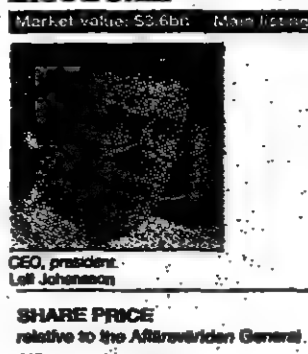
Outdoor product sales fell from SKr4.6bn to SKr4.1bn, and operating profits slid from SKr460m to SKr379m.

Lex, Page 16

PROFILE:

Electrolux

Market value: $3.6bn Main listing: Stockholm



CEO, president
Leif Johansson

Historic P/E	5.22
Gross yield	3.65%
Earnings per share	SKr 38.9
Current share price	SKr 342.5

SHARE PRICE
relative to the Affärsvärlden General

EARNINGS PER SHARE
(SKr)

Source: FT Extel, Datastream, Alfred Berg

Trygg-Hansa in SKr1.5bn hostile bid for Wasa

By Hugh Carnegy

Restructuring moves within Sweden's financial services industry took an unexpected turn yesterday when Trygg-Hansa, the country's second-largest insurance group, launched a hostile bid for Wasa, a smaller rival, involving a SKr1.5bn ($219m) offer to buy in Wasa's non-life policy holders.

Trygg, which has only recently recovered from a series of disastrous acquisitions that led to heavy losses, made the move after Wasa rebuffed overtures for an agreed merger.

It proposed a straight purchase of Wasa Sak, a non-life business, and a merger with Wasa Liv, a life assurance operation, which are presently structured as parallel mutual companies.

The bid came two days before Wasa's policyholders were due to meet to decide on a restructuring plan, under which Wasa Liv has offered SKr1.04bn to Wasa Sak's 400,000 policy holders to combine the two organisations and achieve a cost-saving rationalisation of their operations.

Mr Lars Rosen, Wasa's overall chief executive, rejected the Trygg bid, saying it was an attempt "by our worst rival to upset our decision-making" and questioning the true value of the higher Trygg offer for Wasa Sak.

Trygg said it could justify the offer because it could achieve much greater savings by combining its own non-life operations with Wasa Sak than could be achieved by combining Wasa Sak with Wasa Liv.

Together the two groups would have more than 30 per cent of the Swedish insurance market, behind market leader Scandia.

The bid for Wasa is in line with Trygg's recent refocusing on its core domestic market after running up losses in the 1990s of SKr11bn through a doomed incursion into the US through Home Holdings – since handed off to Zurich Insurance – and forays into banking and credit insurance.

Trygg, which yesterday reported first-quarter operating profits up from SKr399m to SKr741m, has a 20 per cent market share in Sweden.

But Mr Thunell is anxious to increase its muscle to meet the challenge of deregulation which has seen increasing blurring of the lines between the banks and the insurance companies.

Generali pleases market with bonus issue

By Andrew Hill

Assicurazioni Generali, Italy's largest insurer, pleased shareholders yesterday by proposing a 4 per cent rise in dividends, and a scrip issue.

Generali also announced an increase in attributable consolidated profit for 1995 to L695bn ($446m) after tax, against L641bn the previous year. The profit was lower than analysts had expected, but they welcomed the dividend rise and the scrip issue as a sign that Generali was confident about prospects.

The group, which said first-quarter trading had continued the positive trend of the previous year, is to give shareholders one new share for every 10 already held. The board proposed raising the dividend to L375 per ordinary share, against L360 in 1994.

Generali's shares rose strongly on news of the scrip issue to close at L39,177, up L631 on the day.

The Italian insurer said consolidated premium income had risen to L34,093bn in 1995, an increase of 19 per cent, or 8.4 per cent if calculated on the same basis as 1994. Some L15,565bn came from life assurance premiums, up 26.7 per cent on 1994, and L18,139bn from non-life premiums, which rose 12.4 per cent.

Within the past year, Generali has appointed a new chairman, Mr Antoine Bernheim, and consolidated its position in France, where the group now claims a 3.3 per cent share of the insurance market.

Generali has combined its French operations with those of La France, an insurer indirectly controlled by Lazard Freres, the Paris-based financial group.

Mr Bernheim, a long-standing Generali director and a general partner of Lazard Freres, has helped the Italian company simplify its complicated and often tense relationship with Axa of France.

Earlier this year, the two companies agreed a reshuffle of shareholdings which left Generali with a direct 11 per cent stake in the French insurer.

Alitalia may shed 2,000 jobs in latest restructure

By Andrew Hill in Milan

Unions and staff at Alitalia, the troubled Italian airline, are bracing themselves for the latest restructuring which could lead to as many as 2,000 job losses, according to a leaked outline plan.

Under the plan, reported in Il Sole 24 Ore, the Italian business daily, management may seek job cuts from among the 12,000 ground staff, and more hours for the same wages from pilots and cabin crew. The company would also seek a phased capital injection of L3,000bn ($1.9bn) from IRI, the state holding company which is Alitalia's majority shareholder, and private investors.

Mr Domenico Cempella, who took over as chief executive of Alitalia in February, said yesterday it was "still early days" for a new plan and described the figures in yesterday's Il Sole report as "only inference".

However, Mr Cempella must shortly find a way to curb losses, running at L280bn in the first quarter of 1996, and reduce debt of more than L3,400bn without upsetting the airline's volatile unions.

The problem defeated his predecessor as chief executive, Mr Roberto Schisano, who was ousted by IRI after more than a year of disruptive union protest at his restructuring plans.

Mr Renato Riverso, appointed chairman alongside Mr Schisano in 1994, also resigned in March, complaining bitterly about being isolated by IRI in his attempts to handle the union problem.

Mr Cempella has yet to talk to the unions about the detail of his plan. One problem will be persuading the pilots, who caused the most disruption last year, to work longer hours for the same salary. They were led to expect an increase in salary last year, following a secret agreement with Mr Schisano which was then shelved.

Any restructuring of Alitalia will have to be sufficiently radical to convince both IRI, which is itself heavily indebted, and the European Commission, that a capital injection is justified. Brussels imposed a series of conditions on the Spanish government before approving the recent grants for Iberia.

According to the leaked outline of the plan, cost reductions of 10 per cent could be accompanied by reorganisation of the company into different sectors, in which employees would be remunerated according to performance.

Last month Alitalia reported a 1995 group net loss of L85.9bn.

SBC starts year with rise in interest income

Swiss Bank Corporation said net interest income in the three months to March was "slightly higher" than a year earlier, AFX News reports from Basle. Net commission income was also higher than a year earlier, with brokerage contributing strongly to the increase. Trading income saw a strong increase on higher turnover on international financial markets, with most of the gains from equity trading.

Substantial gains were also seen in foreign exchange trading. Provisions were little changed from the 1995 average.

SBC said first-quarter asset management and investment business income was substantially higher than the 1995 average, with loan commissions posting a slight increase.

"The successful integration of S.G. Warburg resulted in excellent growth in fee income from mergers and acquisitions," it said. Most of the trading income growth was attributed to equities but substantial gains were also seen in foreign exchange. SBC saw a good environment in 1996 for higher earnings at SBC Warburg.

COMPANIES AND FINANCE: EUROPE

SAS bolstered by currency gains

By Hugh Carnegy in Stockholm

Scandinavian Airlines System, which is jointly owned by Danish, Norwegian and Swedish interests, followed a record year in 1995 by almost tripling first-quarter pre-tax profits from SKr78m to SKr245m ($35.8m).

But the big jump in earnings was due almost entirely to positive currency effects on financial costs, and disguised an equally emphatic reverse in operating profits as sales growth stalled and operating costs increased.

Sales slipped from SKr8.3bn to SKr8.2bn, despite a 7 per cent increase in traffic growth. Although currency movements had a big positive impact on financial expenses, they had a negative effect on sales. At the same time, SAS said the high ratio of full-fare passengers it achieved last year had fallen in the first quarter.

Operating costs, meanwhile, rose from SKr7.4bn to SKr7.6bn due to increased development and marketing efforts, and some expansion of capacity and staff after several years of severe cuts.

One effect of the cuts has been to leave SAS short of pilots, forcing it to cancel some flights. It is now recruiting to try to meet its capacity needs.

The result was a slump in operating profits from SKr529m to SKr178m.

Pre-tax earnings were buoyed, however, by a fall in net financial costs from SKr129m to SKr37m and a swing in net exchange rate effects from a negative SKr383m to a positive SKr39m.

SAS said a continued overall positive effect from currency changes should keep full-year pre-tax earnings near last year's record SKr2.63bn. But it warned that operating income was likely to be below last year's SKr3bn.

Hoechst to sell SGL Carbon stake

By Wolfgang Münchau in Frankfurt

Hoechst, the German chemicals and pharmaceuticals group, is to sell its majority stake in SGL Carbon, the world's largest carbon and graphite producer, for an estimated DM1.5bn ($983m) in a public offering.

The sale of 50 per cent plus one share in SGL Carbon will be the largest secondary placing ever launched in Germany.

For Hoechst, the decision marks another step in its policy to withdraw from non-core operations. The announcement yesterday led to a steep fall in the share price of SGL Carbon in early Frankfurt trade. The shares later recovered, ending down 3.9 per cent at DM141.50.

About 60 per cent of the sale will be targeted at European investors, with the rest pitched towards the US, to reflect the current distribution of shareholders.

SGL Carbon's biggest selling product is graphite electrodes, used in furnaces in the recycling process of steel.

SGL Carbon came to the market in an initial public offering in April last year, followed by a second tranche last September. Hoechst said the third and final sale would take place this month and in June by means of bookbuilding.

In last year's IPO of SGL Carbon, bookbuilding was used for the first time in a German public offering. Several other companies, including Adidas, the sports products group, have since used the technique.

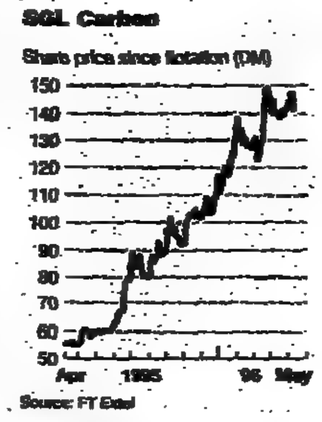
Under the bookbuilding procedure the striking price is not given at the outset, but determined by demand and supply in the market, subject to a previously set range.

Dresdner Bank, Kleinwort Benson and CS First Boston were the lead advisers in the previous two share offerings. No final decision has yet been made about the advisers for the forthcoming sale.

The announcement coincided with the publication of SGL Carbon's first-quarter results. The company said that pre-tax profits rose 66 per cent to DM78m in the three months to end-March, with turnover ahead 5 per cent to DM411m.

SGL Carbon

Share price since flotation (DM)



Source: FT Extel

Mr Robert Koehler, chairman, yesterday forecast a stable demand for carbon and graphite products for the rest of the year. He said sales of graphite electrodes would increase in the second quarter, adding that recent price rises would have a positive impact on the quarterly results.

In 1995, SGL Carbon had sales of DM1.6bn and pre-tax profits of DM234m. In March its shares were included in Germany's Dax-100 index, which the company believes will increase their appeal to international investors.

SGL Carbon shares were offered last year for DM55, and have since risen almost threefold.

Hoechst shares closed little changed at DM481, up DM0.50. One analyst said: "[Hoechst] always said this was not a core business. This process is bound to continue, and I believe it will continue until they will have broken up the entire company".

● Hoechst Celanese, the fifth-largest chemicals company in the US and the US fibres subsidiary of Hoechst, yesterday posted first-quarter net income down 26 per cent from $72m to $53m on sales down almost 7 per cent from $1.877bn to $1.747bn, reports AP-DJ.

The company said earnings declined as a result of a slowing economy that drove down prices for commodity chemicals and volumes for some of its fibres, resins and film businesses.

NEWS DIGEST

Pernod upbeat as sales edge ahead

Pernod Ricard, the French drinks group, said it expected pre-tax profits from ordinary operations to rise by about twice the rate of inflation in 1996. It proposed an unchanged dividend of FFr8 for 1995 and said sales rose 3.2 per cent to FFr3.605bn ($699m) in the first quarter of 1996 from a year earlier.

Pernod Ricard said previously that net profit rose 3.8 per cent to FFr1.103bn in 1995, when profit from ordinary operations was steady at FFr1.6bn. *AFX News, Paris*

Fresenius posts 33% advance

Fresenius, the German drugs group, said net profits rose 33 per cent from DM15m to DM20m ($13.1m) in the first quarter. Group sales climbed 12 per cent from DM534m to DM600m, Fresenius said in a statement released ahead of its annual news conference. *AFX News, Bad Homburg, Germany*

Danone first-term revenues up

Danone, the French foods group, said it posted first-quarter consolidated sales of FFr19.5bn ($3.78bn), up 5.4 per cent from FFr18.5bn a year earlier. On a comparable sales mix, structure and exchange rate basis, sales rose 2.5 per cent, it said. Mr Franck Riboud, chairman, has targeted a 6 per cent rise in 1996 profit before exceptionals and provisions. Danone made a net profit of FFr2.13bn in 1995 after an exceptional charge of FFr1.8bn for restructuring. *AFX News, Paris*

Dewaay denies merger talks

Dewaay, the Brussels-based banking and brokerage group, yesterday denied press reports it was in talks with Bank Degroof over a merger which could create Belgium's biggest stock brokerage. Dewaay confirmed it was in talks to acquire Degroof's computerised banking system. But this was "far from a merger" and "certainly not a takeover", it said.

Yesterday's Flemish language business daily De Financieel Economische Tijd said talks between the two were under way with a view to a merger or a co-operation agreement. Degroof noted it already has its own broker, Degroof Securities. *AFX News, Brussels*

Atlas Copco lowers expectations

Mr Michael Treschow, chief executive of Atlas Copco, said he was less certain on the previously positive outlook for 1996 earnings because predictions for the development of the German market were too optimistic. Mr Treschow was quoted by the news agency Direkt as saying earlier forecasts of industrial production and construction in the German market were too optimistic. *AFX News, Stockholm*

Commerzbank looks inward for growth prospects

Acquisitions are not ruled out, but the bank has decided to expand mainly from its own resources

When Mr Martin Kohlhaussen, chairman of Commerzbank, moves into his new offices next year, he will survey the competition from the top of Europe's tallest commercial building – nearly 60 storeys and 260m high.

But as the curved triangular structure – its steel skeleton still topped by cranes – pierces the Frankfurt skyline, he takes pains to stress that size is not the main object of its ambitions. "We are not a tiny bank," he asserts somewhat superfluously after pointing out that total assets exceeded DM400bn ($262bn) last year. "But an institution should be manageable."

At a time when other banks are busily integrating investment banking and other acquisitions, Commerzbank has decided to expand mainly under its own steam. It has given up the search for a reasonably-priced investment bank and will now develop this business from its own resources. This is in contrast to Deutsche Bank and Dresdner Bank, its big local rivals, which have paid large sums for UK investment banks.

Commerzbank also intends to push deeper into the fast-growing markets of eastern Europe and south-east Asia and put itself in a position to benefit from the wider opportunities that Mr Kohlhaussen expects European monetary union should bring.

The introduction of the euro, the proposed European single currency, will make European capital markets more liquid – though lucrative foreign exchange business will fall away – and will therefore be a real alternative to the dollar, he says.

Whether or not Emu fulfils this promise, the bank's foreign activities – accounting for two-thirds of operating profits last year – will bear the main responsibility of ensuring its target of a 15 per cent return on equity by 2000 is achieved.

Martin Kohlhaussen: 'If Swiss banks think their market is too small, that is their way of thinking. Our market is OK'

On the domestic side, high costs and intense competition have hampered profitability, although business has improved recently. "We have to improve our domestic retail business." Overall, though, Mr Kohlhaussen says "we are satisfied" with group profits growth so far in 1996.

Commerzbank's aversion to big acquisitions reflects its failure last year to buy Smith New Court, the UK stockbroker, which went to Merrill Lynch of the US. "It would have fitted," Mr Kohlhaussen comments. Commerzbank would have also taken a more hands-off approach than Merrill – "SNC people would have enjoyed it".

The German bank has not set its face totally against acquisitions, however. "It depends what opportunities come along. This could include further acquisitions in asset management." The latter is an area in which German banks are keen to expand; Commerzbank last year bought Jupiter Tyndall, the UK asset management company, and Martingale, a small US fund manager.

But while growth opportunities may look exciting abroad, progress at home has become a lot tougher. Even so, Mr Kohlhaussen does not see the German market moving in the same way as elsewhere in Europe. In Switzerland, the Netherlands and the UK, for example, banks have responded to overcapacity in their industry by merging and eliminating duplicated functions.

In Germany, however, the big private sector banks command only a tiny portion of the retail banking market. The lion's share is held by the Sparkassen (savings banks), typically owned by municipalities, and the co-operative Volksbanken (people's banks). Together with the regional Landesbanken, they control more than 60 per cent of customer deposits in Germany.

Commerzbank, with a retail market share of about 3 per cent, sees opportunities for growth in its home market, through new distribution channels and by being quicker than its competitors to introduce sophisticated new products.

Mr Kohlhaussen therefore takes a fairly relaxed view of the attempts of big Swiss banks to grow beyond their domestic market – a trend that has caused some analysts to speculate how Germany might be affected.

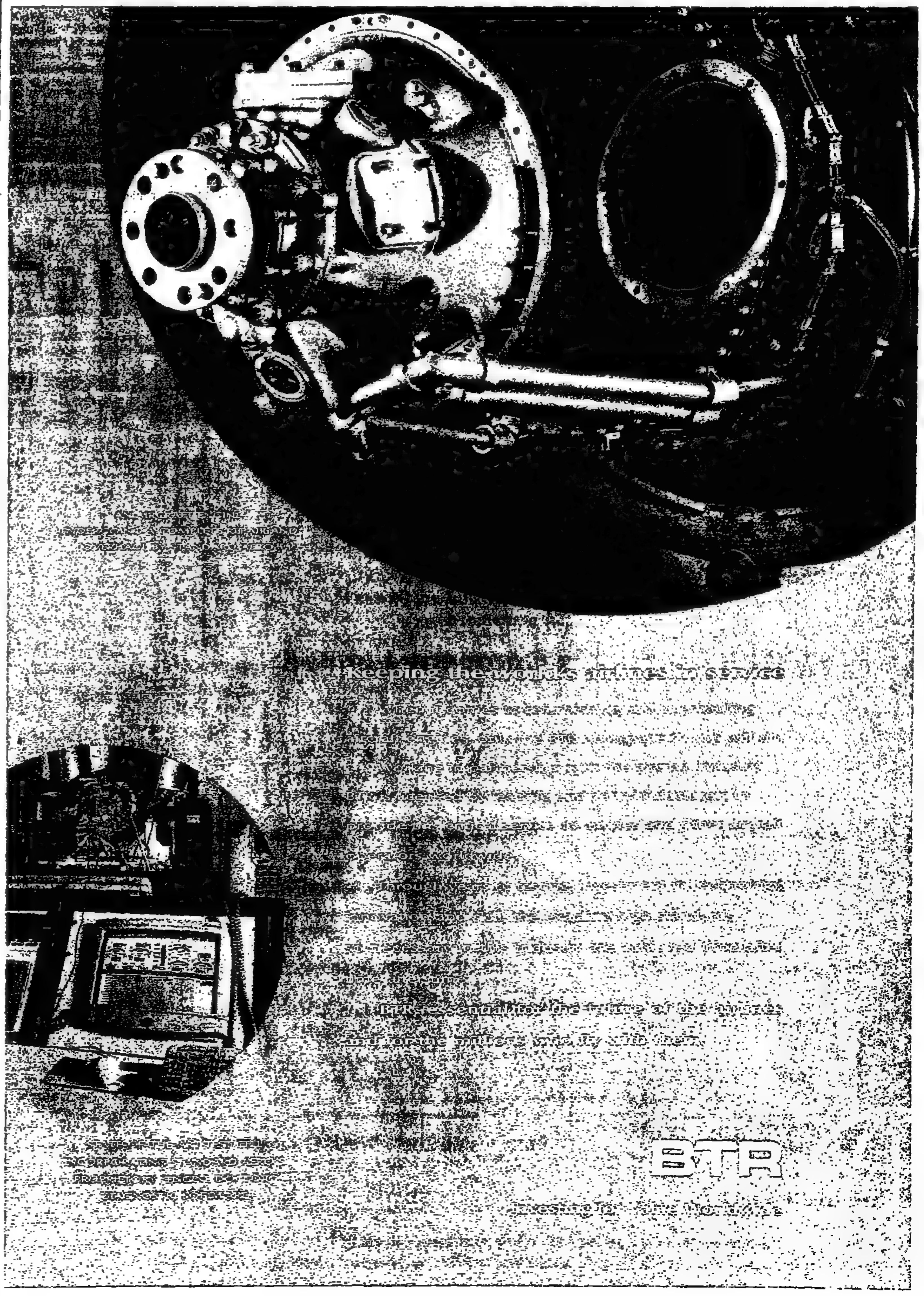
"If the Swiss banks think that their market is too small, that is their way of thinking. Our market in Germany is OK," Mr Kohlhaussen asserts.

He does not exclude the possibility of banking mergers elsewhere in Europe, "but I don't see it in Germany".

He says Comdirect, Commerzbank's direct banking operation, has won more than 50,000 new customers, with only 10-12 per cent coming from its existing client base. Start-up costs for direct banking are high, but Mr Kohlhaussen expects the operation to be profitable in "a couple of years".

Although Mr Kohlhaussen sees the introduction of the single European currency and the advent of multimedia distribution channels for financial services breaking down the walls between national banking markets, he remains undaunted by the threat. "The group of competitors is changing. The only point is what are we going to do about it. We can't just sit and relax."

Andrew Fisher and George Graham



COMPANIES AND FINANCE: THE AMERICAS

Sadia plans greater training to produce efficiencies

Growth in the Brazilian meat processor's chicken market has stalled, writes **Jonathan Wheatley**

Judging by its recent performance, Sadia, one of Latin America's biggest meat and soya processors, is in fine form. Last year's profits were its best ever and sales have more than doubled in dollar terms since 1991.

But soaring prices for raw materials and slower economic growth will make it hard for the Brazilian group to keep up the momentum this year. While analysts say the company could do more to increase efficiency and profits, Sadia's management is reluctant to save costs by cutting staff.

Food companies have prospered under Brazil's new economic stability. Many Brazilians had never before eaten as much or as well as they have since the middle of 1994, when a change of currency sent inflation tumbling and put hard cash in their pockets for the first time in years.

Sadia was better placed than many to take advantage. Sales of chicken meat, which account for about one-third of its turnover, took off. Sadia's main business – in value-added, processed meats – did equally well as consumers traded up to higher quality foods.

But since the initial boom in the second half of 1994, things have been less easy. Chicken prices collapsed after producers rushed to meet burgeoning demand, spurred on by a government keen to see cheap food in the shops. Mr Arléu Aloisio Anhalt, Sadia's market relations manager, says the group lost money on chicken sales between February and September last year.

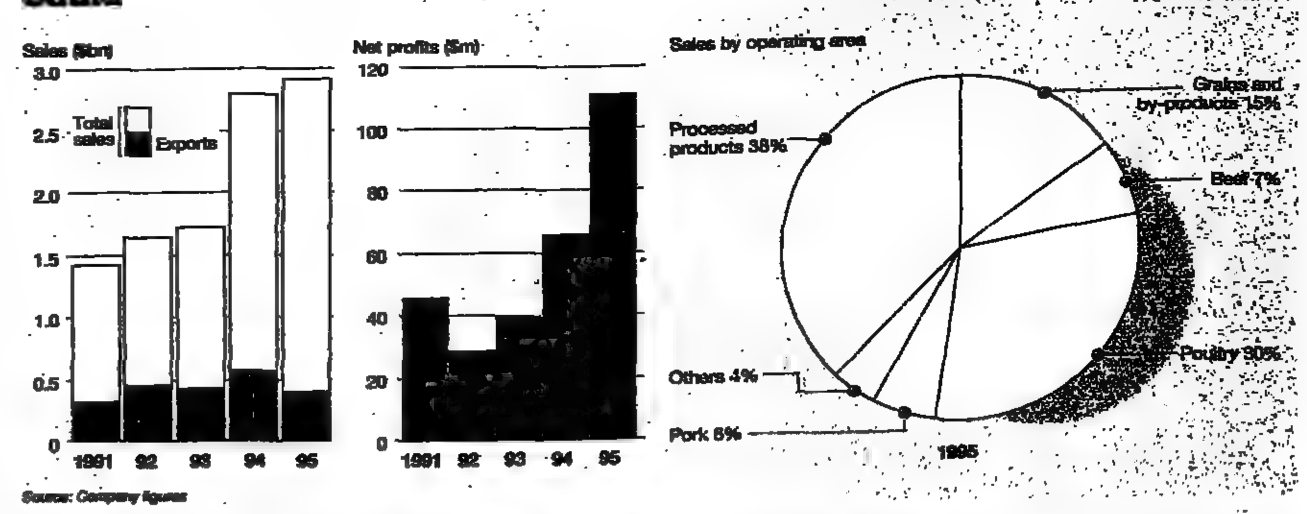
Since then, chicken prices have stabilised, but so has demand. Chicken consumption in Brazil rose from 8kg a head in 1984 to 18kg in 1994 and 23kg last year, reaching the level of many industrialised countries. "There may still be some room for more consumption, but the explosive growth of the past is over," says Mr Artur Wichmann Neto, food industry analyst at Rio de Janeiro investment bank Icatú.

Mr Anhalt says chicken consumption may grow by at most 5 per cent this year, but the situation is complicated by record international grain prices. Maize and soya, which make up 40 per cent of chicken production costs, are now 45 per cent dearer than this time last year, keeping Sadia's margins to a minimum.

One answer is for Sadia to concentrate on its core processed meat business. Although costs in this area are also affected by grain prices, they are easier to absorb because of bigger margins. Sales here have grown by 50 per cent in the past two years and accounted for 38 per cent of turnover in 1995; it was mainly because of sales of processed products in the year-end holiday period that Sadia performed so well last year.

But Brazil's economy is unlikely to go on producing the same rate of growth as Sadia has enjoyed in the past two years. Domestic sales are levelling off; export sales fell last year, mainly because of the strength of the Real against foreign currencies.

Sadia



Source: Company figures

Indeed, last year's profits of $111m included an extraordinary gain of about $30m from a share deal in subsidiary company Sadia Mato Grosso. Profits were also helped by financial earnings. Mr Anhalt says the cost of servicing $600m in overseas debt is more than compensated for by earnings on the company's $400m cash invested in Brazil, where interest rates are much higher.

Until the next upturn in the economy, analysts say, Sadia must look to greater efficiency to increase profits. A new management structure devised by consultant firm McKinsey has been in place since 1994. Mr Luis Fernando Furlan, Sadia president, says the new model has resulted in a leaner operational structure and gives it credit for boosting sales and profits.

Some savings have resulted from changes to the group's structure. In the past, to take advantage of government incentives, Sadia grew by creating new companies. With the end of these incentives, the number of companies in the group has fallen from 30 to 14 in the past two years. Most of these will be absorbed in the next two years; Mr Anhalt says it is possible that the group's three publicly traded companies – Sadia Concórdia, Frigobrás and Sadia Oeste – will be merged into one.

Analysts say Sadia has made good progress in overhauling its management, previously dominated by members of the founding family. But they say its costs remain high for the industry and point to its main competitor, Perdigão, where family management has been completely replaced by outside "professionals".

One charge often levelled at Sadia is that it is overstaffed. Analysts say that, with 32,000 employees, the company's payroll is overweight by about 7,000. "That means an enormous drain on efficiency," says one.

Mr Furlan says people tell him every day he should make staff cuts, but argues that Sadia has chosen to invest in training its existing staff to produce greater efficiency. Last year, the company spent $7m on training 23,000 workers. Furthermore, he says, the company's strategy of concentrating on value-added products means its manufacturing operations are increasingly labour-intensive. "If we thought we could do better with fewer people, then we would make cuts," he says. "It's not a fixed issue."

With redundancies ruled out for the present, analysts say Sadia must look for other savings. Some of Sadia's costs, though, are determined by its size. As one of Brazil's biggest food companies it is also one of its biggest advertisers, sponsoring the main evening television news on the TV Globo station. "Sadia has a lot of weight in the market," says Mr Wichmann Neto at Icatú, "and it's making a big effort to defend it."

Cable-TV group to sell Toronto Sun stake

By Bernard Simon in Toronto

Rogers Communications, Canada's biggest cable-TV operator, has put up for sale its 63 per cent stake in Toronto Sun Publishing, a prominent newspaper group.

The proposed disposal comes on the heels of several deals which have reshaped ownership patterns in the Canadian newspaper industry.

In particular, Hollinger, the group controlled by Mr Conrad Black, whose interests also include control of the UK Telegraph group, has gained significant extra muscle by buying more than two dozen dailies across the country, mainly from Thomson Corporation, the international publishing and travel group. It also owns a minority stake in Southam, the country's biggest daily newspaper publisher.

Toronto Sun has a total market value of about C$370m (US$270m). Its interests include mass-market tabloids, several dozen weekly papers and a 60 per cent stake in the Financial Post business daily.

Rogers said it might seek a separate buyer for the Post, which is currently breaking even after several years of losses. Pearson, the Financial Times' parent company, owns 19.9 per cent of the Post.

It acquired its interest in Toronto Sun as part of its 1994 purchase of Maclean-Hunter, a large publishing and cable-TV group. However, Mr Ted Rogers, the chairman, told the AGM last week that it needed to dispose of assets to improve its debt-to-equity ratio.

Rogers has C$4.6bn of debt and about C$135m in shareholders equity. It has a hefty appetite for capital to modernise its cable network as it faces head-to-head competition from telephone companies.

Rogers hopes to complete its sale of Toronto Sun within the next few months. Canada's foreign investment rules preclude foreigners from acquiring more than a 25 per cent interest in a domestic media group.

Ted Rogers: sale will improve his group's debt-to-equity ratio

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Pool Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	9.10	9.10
0100	8.97	8.97	8.97
0130	9.02	9.22	9.22
0200	12.42	9.32	9.32
0230	12.42	22.43	23.94
0300	12.42	22.43	23.94
0330	12.42	22.43	23.94
0400	12.42	19.83	21.13
0430	12.42	9.32	9.32
0500	12.42	9.26	9.26
0530	12.46	9.30	9.30
0600	12.48	9.24	9.24
0630	12.48	9.32	9.32
0700	17.18	13.27	14.78
0730	21.77	17.62	19.12
0800	23.98	22.27	22.88
0830	37.06	23.86	25.46
0900	37.09	25.65	27.18
0930	37.08	27.16	28.69
1000	37.08	27.10	28.70
1030	24.02	25.68	27.17
1100	34.02	25.65	27.10
1130	34.04	25.65	27.17
1200	37.11	27.10	28.70
1230	37.10	27.10	28.69
1300	37.06	27.17	28.68
1330	23.98	25.64	27.15
1400	22.73	22.90	24.40
1430	22.72	22.89	24.40
1500	22.72	22.90	24.40
1530	21.77	22.90	24.40
1600	21.78	22.90	24.40
1630	21.79	22.90	24.41
1700	42.52	46.33	47.83
1730	42.52	46.33	47.83
1800	42.50	46.32	47.83
1830	42.40	28.50	30.00
1900	24.28	28.49	30.00
1930	24.28	28.49	30.00
2000	24.28	28.49	30.00
2030	9.10	9.40	9.40
2100	24.28	28.49	30.00
2130	52.39	38.02	39.53
2200	52.39	38.02	39.53
2230	52.39	22.10	23.61
2300	21.38	13.80	15.31
2330	17.18	9.22	9.32
2400	16.74	9.24	9.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0118 [illegible] between 8:30am and 5:15pm Monday to Friday.
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COMPANIES AND FINANCE: THE AMERICAS

Digital launches Internet products with 'cybercast'

By Louise Kehoe in San Francisco

Digital Equipment, the US computer group, yesterday held the first live "cybercast" news conference on the Internet to introduce new software products and announce the formation of an Internet software business unit.

Computer users around the world were able to tap into the event, listen to a presentation by Mr Bob Palmer, Digital chairman and chief executive, and view graphics.

"What is abundantly clear is that the Internet will become the computing paradigm of the future," said Mr Palmer. "We see it changing the way people do business, allowing partners, suppliers and customers to exchange vital business information in a virtual enterprise."

Digital's new products build on the popularity of its AltaVista Internet search service, launched in December 1995. AltaVista has quickly become the leading method of searching for information on the World Wide Web.

Digital announced plans to "mirror", or replicate, the AltaVista Web site in numerous locations worldwide to augment the established site at Digital's California research centre. The regional sites will provide speedy delivery of search results and offer new interface pages in local languages, Mr Palmer said.

Digital also launched a range of AltaVista software products aimed at business users of the Internet and corporate intranets, as well as at individual personal computer users. The programs will enable users to search databases on internal networks, or to search PC files for relevant information.

Digital also announced plans to offer three new Internet software "suites" aimed at companies, workgroups and home office workers. The software suites will include software for electronic mail, work group collaboration, security and network management as well as the AltaVista search programs, Mr Palmer said.

Computer Associates, which recently announced a joint marketing and product development agreement with Digital, will collaborate in the development of Internet software, said Mr Sanjay Kumar, CA president.

● Microsoft aims to encourage sales of its software products via the Internet by providing wholesale distributors with technical specifications needed for electronic distribution.

Backing away from plans to deliver software direct to end-users, Microsoft said it would continue to rely on wholesalers and companies that configure computer systems for businesses. It expects about 20 companies to sell its programs over the Internet within about a month.

AHP to sell canned pasta operation

By Richard Waters in New York

The maker of Spaghetti-Os, every American child's favourite canned pasta, has been put up for sale by American Home Products as part of a continuing move by the US drugs group to narrow its range of businesses.

Chef Boyardee, a long-established brand of canned pasta, is one part of the company's food products division, which had sales last year of $819m. Other brands include Pam, a non-stick cooking spray, and Gulden's, a mustard.

AHP said yesterday it had retained J. P. Morgan to find a buyer for the business, and that it hoped to complete a disposal in two to four months.

The decision to sell the operation, which generated only 6 per cent of the group's $13.4bn of revenues last year, reflects a decision to concentrate more on prescription pharmaceuticals, AHP said. Besides pharmaceuticals, which generated $6.8bn of sales last year, the company also makes consumer health products ($2.7bn), medical supplies ($1.1bn) and agricultural products ($1.9bn).

Last year, AHP quit the toothpaste business by selling Kolynos, maker of the biggest selling toothpaste in several Latin America countries, to Colgate-Palmolive, the US consumer products group, for $1.04bn in cash. That business had annual sales of $300m.

The food businesses are unlikely to realise anything near that multiple of sales, though. Prices in recent acquisitions of US food businesses have varied greatly, depending on the strength of the brands being sold. The troubled US food group Borden was sold two years ago for less than half its $5.5bn turnover at the time. On the other hand, Campbell Soup, a company with a strong brand, is valued at twice its turnover.

A disposal of AHP's food business is likely to be aided by a recent rebound in sales after an 18 per cent decline in 1995. During the first three months, sales climbed by a similar 18 per cent, compared with a weak quarter the year before. The rebound in part reflected higher spending on marketing, AHP said.

NEWS DIGEST

Sharp rises at US healthcare groups

United Healthcare and Oxford Health Plans, two US healthcare management companies, reported sharp increases in first-quarter earnings yesterday, but their shares fell in early trading amid concern about falling margins.

Both United and Oxford saw increases in the percentage of premium revenue they must pay out in medical costs (known as the medical loss ratio). United saw its medical costs rise to 83 per cent of premium revenue, compared with 78 per cent in the same period last year, while Oxford paid out 80 cents for every dollar of premium revenue, compared with 77 cents in the comparable quarter.

Mr Gary Frazier, a healthcare analyst at Bear Stearns, said that the common trend was an increase in pharmaceutical payments, but the similarity ended there. At United, the largest health maintenance organisation (HMO) in the US, continued competition prevented the company from increasing premiums to keep up with rising costs. At Oxford, it was the decision to take on members in the Medicare health insurance program for the elderly that led to higher medical costs.

United's first-quarter earnings rose 33 per cent to $118.9m on revenues of $2.3bn, compared with $1.1bn. Earnings per share for the quarter were 62 cents, up 22 per cent from the 51 cents last year, but 2 cents a share below estimates. Its shares fell $1⅝ to $54⅞ in early trading.

Oxford said first-quarter earnings rose 79 per cent to $18.5m on revenues of $648m, compared with earnings of $10.3m on revenues of $334.3m in the same period last year. In early trading, its shares were $2⅞ lower at $49, although the per share earnings of 25 cents were a cent ahead of analysts' estimates.

Separately, Columbia/HCA, the largest US hospital management company, reported net income up 16 per cent in the first quarter, in part through the company's continued expansion through acquisition. Columbia bought or signed joint ventures with 18 hospitals, 15 skilled nursing units, seven psychiatric facilities, two in-patient rehabilitation centres and six outpatient rehabilitation centres.

Net income in the first quarter was $416m, or 92 cents a share, on revenues of $5bn, compared with $358m, or 80 cents, on revenues of $4.4bn in the same period last year. Earnings were in line with analysts' expectations, and shares in the company added $⅜ at $51¼ in early trading.

Lisa Bransten, New York

Knight-Ridder sheds unit

Knight-Ridder, the Miami-based newspaper group, is to sell its electronic financial news business to Global Financial Information Corp, a private US group, for $275m. Knight-Ridder put the business up for sale in January.

Knight-Ridder Financial competes with such services as Reuter and Bloomberg to provide financial news and market data. GFI owns Bridge Information Services, a provider of market data worldwide. GFI is in turn backed by Welsh, Carson, Anderson & Stowe, a New York investment group which is one of the biggest US providers of venture capital.

Knight-Ridder said it would use the proceeds to buy back shares and pay down debt. The deal follows the sale in March of Knight-Ridder's cable interests to its joint venture partner, TCI, for up to $420m. *Tony Jackson, New York*

Four Seasons Hotels ahead

Four Seasons Hotels, the Canadian-based international luxury hotel group, doubled first-quarter earnings to C$5m (US$3.66m), or 18 cents a share, from $2.6m, or 9 cents, a year earlier, because of sharply lower interest costs and good hotel management returns.

Consolidated revenues, including hotel management fees and hotel ownership and investment income, totalled $27m against $31m, reflecting asset sales and restructuring. Total revenues of all managed hotels were $461m against $441m. Hotel management contributed 87 per cent of operating earning before depreciation and amortisation.

The company sold its 50 per cent stake in the London Four Seasons late last year, following other asset sales in 1994-95. Total debt has been reduced by $142m in the past 18 months and first quarter net interest cost dipped $2m to $4.8m. In March, debenture repayments and currency swap settlements totalled $85m.

Four Seasons aims to achieve 90 per cent of profit and cash flow from hotel management, said Mr Isadore Sharp, chairman and controlling shareholder.

When several new properties are completed, Four Seasons, with Regent, will operate 50 luxury hotels in 22 countries.

Robert Gibbens, Montreal

■ National Bank, Canada's sixth-largest and concentrated heavily in Quebec, is expanding its presence in the Ontario market by buying 29 branches from troubled Municipal Financial for C$46m (US$33.67m). *Robert Gibbens*

P&G renews pressure on Bankers Trust

By Richard Waters

Just two weeks before its long-running dispute with Bankers Trust over two loss-making derivatives contracts is due to come to trial in the US, executives at Procter & Gamble have mounted a renewed offensive to persuade the New York-based bank to agree to an out-of-court settlement.

For its part, Bankers Trust appears set on facing down the pressure, in what is the last and by far the biggest of the disputes that dented the bank's reputation in the derivatives markets two years ago and prompted an overhaul of its top management.

Mr Gary Hagopian, the consumer product company's general counsel, said yesterday: "What we're looking for is a settlement that's fair and reasonable." He indicated that the company would consider, "as a starting point", the sort of settlement that Bankers Trust has agreed with other companies that brought claims over losses they had suffered on leveraged derivatives contracts bought from Bankers Trust.

In the biggest of these, the bank settled an action by Gibson Greetings by paying 70 per cent of the amount claimed, while it paid 60 per cent in other cases, Mr Hagopian said. By contrast, he added, the bank had offered "less than 40 per cent" of P&G's claim, which totals $195m.

The company's willingness to discuss a possible settlement in public brings a marked change of tactics ahead of the trial, scheduled to begin on May 20 in Cincinnati, and follows a series of legal manoeuvrings which appear to have tilted the case more in the bank's favour.

In response to recent motions, Mr John Feikens, the judge in the case, has ruled that any claim for triple damages under the US's anti-racketeering legislation would have to wait until after the first trial is completed. Also, he denied a P&G request to rescind one of the two contracts in dispute.

Bankers Trust refused to be drawn by P&G's latest offensive, saying only that it wanted the case to be tried in court, not the media.


Frank Newman: took over at Bankers Trust this year

According to Mr Hagopian, a P&G offer to discuss a settlement was rejected in the summer of 1994. For its part, the bank is believed to have instigated more recent discussions over a settlement. These included two meetings with Mr John Pepper, P&G chairman, one involving Mr Charles Sanford, the bank's former chief executive, and the other Mr Frank Newman, who took over this year.

In its only other derivatives dispute to go to trial, Bankers Trust defended itself successfully against Dharmala, an Indonesian company, in a UK court. Other suits have been settled out of court, including those brought by Gibson Greetings, Air Products and Sandoz.

While P&G has sought to draw comparisons between its complaint and that of Gibson Greetings, that case was the only one to draw direct action from US regulators. Mr Hagopian said, though, that evidence amassed by P&G showed that its case bore many similarities.

The P&G case is the last of any size outstanding over Bankers Trust, although the bank still faces the findings of an independent investigation of its derivatives business, undertaken at the behest of US regulators.

COMPANIES AND FINANCE: ASIA-PACIFIC

LTCB seeks buyer for US securities unit

By Gerard Baker in Tokyo

The Long-Term Credit Bank of Japan is negotiating with several European companies over the planned sale of its US securities subsidiary, Greenwich Capital Markets Inc.

LTCB officials would not confirm the names of interested parties yesterday, but it is understood that National Westminster, the UK commercial bank, is at the top of the list of potential buyers of the Connecticut-based broker.

The leading Japanese lender is anxious to dispose of the broker as part of a restructuring aimed at eliminating its massive pile of bad loans.

LTCB bought GCM for $140m in 1988, during the wave of Japanese acquisitions of US financial services companies of the time. The company has become LTCB's principal vehicle in US capital markets.

In September last year, the bank's bad loans totalled about Y1,300bn ($12.4bn), 6.7 per cent of its total lending. Most were accumulated from lending during the years of the so-called bubble economy of the late 1980s.

The bank recently announced it would write off Y650bn in such assets in the year to the end of March, and would plunge into the red as a result, with an expected parent company recurring loss, before extraordinary items and tax, of Y90bn.

Earlier this year LTCB became the first big Japanese bank to announce it would shrink its balance sheet in an effort to address its problems. It plans to focus its securities activities on the domestic Japanese market.

GCM's main activities are trading of fixed-income securities and related derivative products, mostly US government bonds, and asset-backed securities. It employs more than 400, serving a client base of about 2,000 customers, with average daily clearing volume in excess of $20bn.

LTCB said it had had no real problems with the company's performance. Its aim was to liquidate its capital to help cover the loan losses. The sale price is likely to be substantially higher than what LTCB paid, though the sharp rise in the yen's value since the purchase will erode some of those gains.

Share buy-backs fail to take hold in Japan

Repurchases are considered good PR above anything else, writes **Emiko Terazono**

Japan's leading companies have been lining up to repurchase their shares. However, according to analysts, buy-backs may turn out to be little more than a passing fad.

At the height of investor pessimism last year, the Japanese ministry of finance, and corporations, turned to share buy-backs as a way of reviving the stock market. The *keidanren*, the influential business lobby, led the call for the government to make share buy-backs easier.

The device is well-known in the US and UK, but perhaps because Japanese companies have less spare cash than their western counterparts, buy-backs as a means of managing cash and improving return on equity are less attractive.

In addition, with the stock market and economy showing signs of recovery, some companies believe they can put their money to more profitable use by investing in additional capacity and new products.

Share repurchases have traditionally been frowned upon in Japan as a way of manipulating share prices, but they became possible when the ministry last year waived until March 1999 a tax provision which had been acting as a disincentive.

Under this provision, the increase in capital per share as a result of the buy-back had been taxed as dividend income. However, the ministry of finance has temporarily shelved this practice to encourage share buy-backs.

According to the country's Life Insurance Association, one in three large companies are considering such deals. However, the spate of repurchase announcements following the tax change has failed to impress investors, because the amounts relative to outstanding shares have been small.

While the figure itself is considerable, Toyota Motor's decision to buy back Y100bn ($954.9m) of its shares only accounted for 1.2 per cent of its total outstanding shares. "It's better than nothing, but if Toyota really wanted to make an impression on investors it would have bought back about 10 per cent," says Mr Koji Endo, car analyst at Lehman Brothers in Tokyo.

Tokyo analysts believe Toyota repurchased a token amount since its chairman, Mr Shoichiro Toyoda, is also the head of the *keidanren*. While the company is one of the few with spare cash on its balance sheet, it is expected to need those funds for capital spending and pension payments.

Mr Yuichi Matsushita, analyst at Nikko Research Center, the research arm of Nikko Securities, says share repurchases by Japanese companies may prove to be a brief trend.

Japan's corporations do not have as big a financial incentive to buy back their own shares as companies in the US, where executive bonuses are directly linked to stock prices. Neither do Japanese shareholders place great importance on fundamentals. Dividend yields have traditionally been too low to matter, while p/e ratios have been regarded as distorted by factors such as cross shareholdings and unrealised profits on assets. "There is only a vague image that share buy-backs are good for shareholders since most investors still do not see valuations as important," Mr Matsushita says.

Japanese share buy-backs

1,000 leading companies surveyed*, 389 responded

Plans for share repurchases	Number of Companies
Scheduled to repurchase shares	6
Currently considering share buy-backs	122
Do not intend to repurchase shares	259
Reasons for not repurchasing shares	
Strengthening the balance sheet is more of a priority	138
Would rather pass on profit increases through dividend increases and other methods	114
Effects of buy-backs unclear	88
Need to use funds for capital investment	67
Insufficient capital for repurchases	35
Process too cumbersome	10
Other companies not doing it	9
Other reasons	26

* Survey by the Life Insurance Association of Japan on share buy-backs conducted January 1996

Companies, meanwhile, seem unimpressed by the argument that they should buy back shares, since record low interest rates have depressed the returns on bank deposits to levels below dividend payouts. Komatsu, the world's second largest manufacturer of construction equipment, which will spend Y20bn (or 2 per cent of its equity capital) on buy-backs, says it will save Y160m in dividends.

With the economic recovery helping confidence, other car companies are likely to be reluctant to follow Toyota, preferring to increase return on equity by improving profits through research and development, says Mr Endo at Lehman Brothers.

With the economy recovering from a five-year slump, Japanese companies know they will need the cash for capital expenditure. "We are buying back our shares within the limits our profits allow," says Asahi Breweries, which is buying back Y10bn, or about 1.9 per cent, of its outstanding shares.

If share buy-backs take root in Japan, stock analysts expect the decrease in the number of shares to be positive for Japanese equity prices. But so far, companies which have announced buy-backs seem more intent on receiving a public relations benefit: they want to be thought of as caring for their shareholders.

However, as Mr Neil Rogers, strategist at UBS Securities in Tokyo, points out: "There are a lot of things companies could do to improve their return on equity before buying back their shares."

UK merger failure fuels HK Telecom stock rally

By John Ridding in Hong Kong

Shares in Hongkong Telecom continued to surge yesterday amid speculation that Chinese interests and rival telecoms companies may seek a stake in the territory's dominant operator.

The increase, from HK$15.20 to HK$15.60, took to just under 6 per cent the rise in the company's shares this week. The rally follows the collapse of merger talks between British Telecommunications and Cable and Wireless, the UK group which has a majority stake in Hongkong Telecom. The breakdown in talks last week has focused attention on Hongkong Telecom, the biggest and most profitable part of C&W.

C&W has dismissed reports that it might sell its controlling 57.5 per cent stake in the territory's operator. But investment bankers in Hong Kong say Chinese companies and some local groups have expressed interest in acquiring shares in Hongkong Telecom.

Reports of Chinese interest follow last week's reorganisation of Hong Kong's aviation industry, in which mainland companies took big stakes in the territory's two airlines. "Hongkong Telecom is now left as the only strategic company which is majority controlled by a UK group," said one telecoms analyst. "So the expectation is that there will also be a restructuring of its capital ahead of the handover [of Hong Kong to China]," he said.

Attention is on Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle. The company, which already holds 10 per cent of Hongkong Telecom, last week lifted its stake in Cathay Pacific from 10 to 25 per cent.

Manila SE contests SEC ruling on listing

By Edward Luce in Manila

The Philippine Stock Exchange yesterday asserted its growing independence from Manila's powerful Securities and Exchange Commission by contesting an SEC ruling which would allow a controversial property company to list on the Manila market.

The company, Puerto Azul Land, the largest resort developer in the Philippines, was debarred by the 15-member PSE from issuing its IPO in March because of a legal dispute over sequestered land.

The PSE decision, based on Puerto Azul's failure to disclose that 360 hectares of its 3,800-hectare holdings were contested in the courts by (among others) the family of the late dictator, President Ferdinand Marcos, was subsequently overruled by the SEC.

The SEC said Puerto Azul had not breached disclosure rules. The commission retains the power to veto stock market board decisions, pending a move to deregulate Manila's exchange along the lines of the New York market's autonomous status.

However, Mr Eduardo de Los Angeles, chairman of the PSE, contested the SEC's ruling. Mr de Los Angeles, who is widely tipped to become the next chairman of the SEC, said Puerto Azul, which is controlled by the Panlilio family, former associates of the Marcoses, had failed in its IPO brochure to disclose that ownership of the land was legally questionable.

The Marcos family, which claims that under a "gentlemen's agreement" the Panlilios had agreed to keep the land in trust for them until an unspecified date, admitted they expropriated the 360-hectare site from the original owners in the 1980s. These owners are also contesting the IPO.

Aside from the dispute between the two families, the counter-rulings highlight the growing tension between the SEC and the PSE ahead of the deregulation of the Philippine capital markets.

Under terms of a US$150m capital markets loan by the Asian Development Bank, which was formally signed last week, disclosure rules will be brought into line with international practice. The PSE, which will also move to fully scripless trading, will be given self-regulatory status.

NEWS DIGEST

China cautions on futures trade rules

China warned yesterday that commodities futures traders seeking to manipulate fledgling markets would face heavy fines and suspensions. The China Securities Regulatory Commission (CSRC), the body responsible for regulating China's markets, said violators faced "warnings, confiscation of illegal gains, fines, trading suspensions or will even have their licenses revoked".

The warning coincides with continuing efforts by the regulatory agency to curb speculation in commodities futures. It has imposed strict limits on trading by state corporations, and banned Chinese firms from trading futures outside the country. China has also closed many commodities trading centres in an attempt to combat speculative excesses. The lack of a national futures law is complicating the task of regulating the markets.

The Shanghai Securities News, a semi-official newspaper, reported that the new rules were aimed at stamping out market manipulation and curbing speculation. It defined market manipulation as rigging prices for illegal profits.

Meanwhile, Mr Zhou Dajiong, chairman of the CSRC, told a symposium in Shanghai that Beijing would allow more companies to list outside China in 1996. It would also accelerate development of its B-share markets for foreign investors. Mr Zhou said work was continuing on draft securities and futures laws, but gave no indication when this may be completed.

The proposed National Securities Law has been through about a dozen drafts, but disagreement among government bodies responsible for China's markets is delaying approval.

Tony Walker, Beijing

Mobil steps up bid pressure

Mobil Exploration & Producing Australia, part of the large US oil company, said yesterday it would not extend beyond Friday its offer for convertible notes in Ampolex, the Australian oil and gas company. The US company has been stepping up the pressure in its hostile A$1.5bn (US$1.2bn) bid for the Australian group, threatening to pull out of the offer if the target company sells its 14.2 per cent stake in West Australian Petroleum consortium, which is likely to develop the large Gorgon offshore natural gas fields. However, the closing date for the ordinary shares remains set for May 23.

Nikki Tait, Sydney

Ansett seeks China route rights

Ansett Australia, the Australian carrier in which Air New Zealand is trying to acquire a 50 per cent stake, said it was applying for rights to fly direct to China. The company wants to introduce two weekly services to Shanghai by December, and increase the frequency to four a week by early 1997.

Until recently, Ansett was predominantly a domestic carrier, but in recent years it has begun to build up an international network, mainly in the Asia-Pacific region. It is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, but the latter proposes to sell its stake to Air New Zealand if regulatory approval is forthcoming.

Australia and China recently approved a new bilateral air services agreement, sharply increasing the potential for direct flights between the two countries.

Nikki Tait

MUI lifts stake in Pengkalen

Malayan United Industries has bought another 5.72 per cent of conglomerate Pengkalen Holdings, raising its stake to a controlling 50.1 per cent. MUI said the additional 11.18 shares in Pengkalen were bought through a stockbroker for M$57.03m (US$22.9m), or at 5.10 ringgit a share.

Although MUI did not say from whom it bought the additional Pengkalen shares, the seller is widely believed by analysts to be Pengkalen's executive director, Mr Choong Kok Min, who held a 5.72 per cent stake in Pengkalen. Mr Choong said last week he would support MUI's move to block Pengkalen's proposed sale of a 32 per cent stake in its prized unit, Pengkalen Capital.

Reuter, Kuala Lumpur

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COMPANIES AND FINANCE: UK

Lucas shares up on talk of Varity merger

By Tim Burt and Greg McIvor

Shares in Lucas Industries yesterday rose more than 12 per cent to a year's high after the UK automotive components and aerospace equipment group confirmed that its talks with Varity Corporation of the US could lead to the creation of one of the world's largest brakes manufacturers.

The prospective £3bn ($4.5bn) merger has been welcomed by several carmakers, which have increased the pressure for consolidation in the industry by seeking supplies from fewer, larger components groups.

One large European carmaker, which asked not to be named, said the process was inevitable and could lead to mergers among other international engineering companies.

"If such mergers deliver better products at a better price, then all vehicle manufacturers would welcome it," the company said.

Although Lucas has indicated that Varity would be its preferred merger partner, T&N – the UK components and specialist engineering group – hinted that it would still like to forge an alliance with Lucas.

T&N has made several overtures to Lucas, but has so far been rebuffed. Yesterday, the company let it be known that it would only consider an agreed deal with Lucas and would not try to derail an alliance with Varity by mounting a hostile bid.

Lucas, meanwhile, reiterated that its talks with Varity – former owner of Massey Ferguson, the tractor maker – were at a preliminary stage and may result in no more than a joint venture agreement. However, both boards have set up joint working parties to explore a possible integration.

A director of one of the companies said they had begun considering possible competition inquiries in North America and Europe, adding that "if a deal is going to happen, it will do so fairly quickly".

Expectations of a deal pushed Lucas shares up 25¼p to 233½p. Shares in Varity, meanwhile, rose $¾ to $44¾ in early trading.

Institutions disappointed at price of 420p plus special 20p dividend

Midlands agrees to US offer

By Patrick Harverson

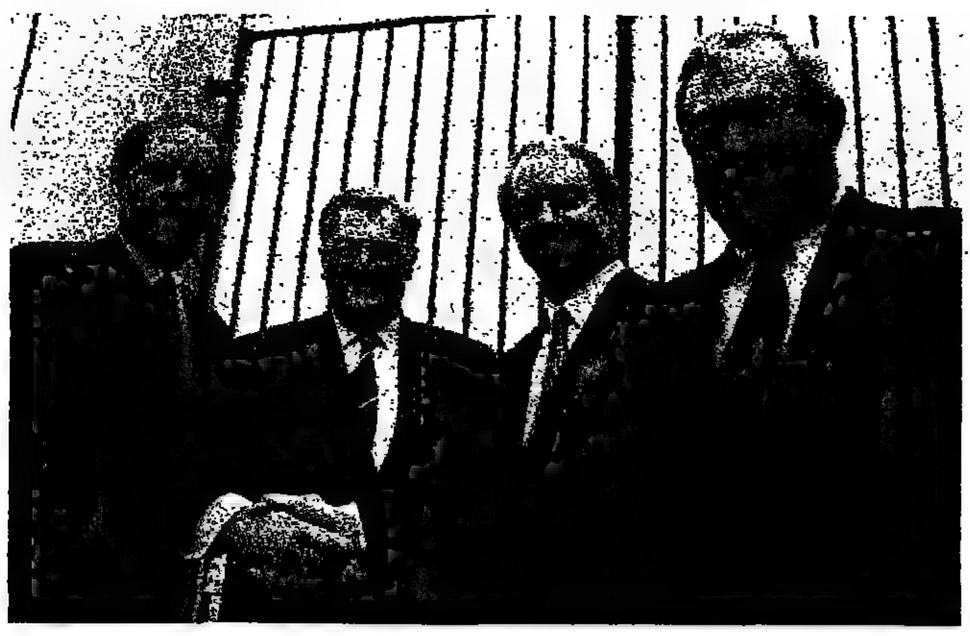
The dwindling band of independent UK regional electricity companies was reduced to five yesterday after Midlands Electricity announced it had agreed to a £1.73bn ($2.61bn) takeover by two US utility groups.

It has recommended its shareholders accept the offer of 420p a share in cash plus a special 20p dividend from Avon Energy, a new company jointly owned by General Public Utilities of New Jersey and Cinergy of Cincinnati.

However, several institutional shareholders expressed disappointment at the price accepted by Midlands, even though it was above the 365p a share offered last year by PowerGen, the generating group whose agreed bid for the rec was blocked by the government two weeks ago.

One fund manager said the management had undersold the company at the time of the PowerGen deal and may have done so again. "It's a pity that there hasn't been open competition for Midlands," he said, adding he would not sell out to the US bidders just yet.

Another institutional shareholder agreed, saying it was also in no hurry to accept the offer from GPU and Cinergy.



Kieran Doherty

Deal is done: left to right, Mike Hughes and Bryan Townsend, chief executive and chairman of Midlands Electricity, Jim Rogers chief executive of Cinergy and Jim Leva, chief executive of GPU

Most of the buying of Midlands shares was by brokers for GPU and Cinergy. They acquired 27m shares to take the groups' stake to 9 per cent.

Yet some shareholders said they hoped a rival bidder for Midlands would emerge. Houston Industries has been talked of as a suitor, but yesterday there was no sign the Texan group was preparing a bid.

The modest 10p increase in Midlands' share price to 433p suggested the market did not expect the offer to be bettered.

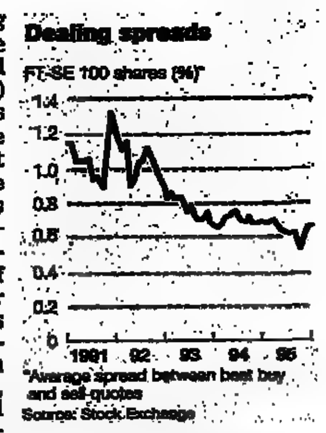
PowerGen, which is Midlands' largest shareholder having acquired a 21 per cent stake at the time of its bid for the company, would not comment on yesterday's deal. It is considering whether to seek a judicial review of the government's decision to block its bid for Midlands. However, if it declines to challenge the decision it will make a profit of more than £70m on its holding.

Lex, Page 14

LEX COMMENT

Stock Exchange

Marketmakers are dead; long live marketmakers! But be sure to call them "registered principal traders" (RPTs) instead. The acronymn has cropped up as part of the debate about precisely what system should replace the London Stock Exchange's current quote-driven mechanism, under which marketmakers enjoy a fistful of privileges in exchange for publishing continuous two-way prices. The advantages of switching to an order-matching system, under which buy and sell orders are matched electronically, are now widely accepted. But, not surprisingly, the marketmakers want to hang onto their privileges – especially, their exemption from stamp duty. Hence, the concept of an RPT, which has been floated in a recent unpublished Stock Exchange document.



This new class of broker would retain tax privileges in return for supplying liquidity to the market. One idea is that RPTs would be required to supply two-way quotes; another that they would have to put in a buy order when only sell orders appeared on the screen and *vice versa*.

Haven't we been here before with marketmaking? An obligation to supply liquidity sounds fine in theory. The snag is that it is almost impossible to police. Moreover, by adding to the industry's cost base, obligations act as a barrier to entry – so shoring up what has become a quasi-cartel. Meanwhile, privileges notionally granted for providing a public service are regularly abused to support proprietary trading positions. Instead of becoming entangled in the tired old debate about special obligations and privileges, the Stock Exchange should sweep both away.

DIGEST

CRH continues US expansion

CRH, the Dublin-based building materials group, yesterday announced a further expansion of its US operations with a series of purchases costing $29m, including assumed debt.

The group's US building materials businesses, including glass and architectural products, now operate from almost 200 sites in more than 30 states producing annual sales of more than $1.1bn.

The latest acquisitions include Ritangela, an asphalt and paving construction business based in Orange County, New York State, Brooks Products, a producer of pre-cast concrete vaults and Foster and Southeastern, two concrete masonry, block and pre-cast concrete manufacturers, based in Massachusetts.

Total trading profits from the new acquisitions were $4.4m in 1995 on sales of $51m. *Andrew Taylor*

UK oil output to double

The total cash flow of companies producing oil and gas upstream in the UK Continental Shelf could double to more than £7bn ($11bn) a year before 2000, as the region enters "a period of record production", consultants reported yesterday.

Total cash flow for the nearly 80 companies concerned was £3.5bn last year, down from £4bn in 1994. The fall was mainly because of the rise in capital spending as the £1.3bn Brent redevelopment programme began. Capital spending would grow further to £4.6bn this year.

Cash flow would rise as "a further tranche of new fields started up", capital spending would fall to £1.6bn by 2000 and production become more efficient, according to the report by Wood Mackenzie, the business consultancy arm of NatWest Markets. *Simon Kuper*

Forte puts Maid online

Forte yesterday served up a new kind of room service when it announced it was installing the Maid online information database in its hotel rooms. As part of the investment, Forte, which was bought by Granada earlier this year, also intends to provide guests with access to the Internet. The first stage will involve supplying Profound, which has a database containing information on thousands of companies. *Christopher Price*

Eurotunnel banks rebuked

Sir Alastair Morton, co-chairman of Eurotunnel, yesterday rebuked the Channel tunnel operator's banks over weekend press reports about their outline refinancing plan for the group.

He said that the Paris Bourse and London Stock Exchange might be concerned about the leaks. His comments came after Mr Patrick Ponsolle, the other co-chairman, had criticised the banks for conducting "gunboat diplomacy".

Yesterday, Eurotunnel released traffic figures for April showing a significant increase compared with the same month last year, which was before all its services were fully operational.

The number of vehicles on Le Shuttle increased from 96,735 to 154,522 while the number of freight trucks nearly doubled to 42,689 (22,648). The number of Eurostar passenger trains also doubled, to 1,106 (542). *Geoff Dyer*

PUBLIC NOTICE

SCOTTISH EQUITABLE POLICYHOLDERS TRUST LIMITED

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of Qualifying Policyholders of Scottish Equitable Policyholders Trust Limited will be held at the offices of Scottish Equitable plc, 1/3 Lochside Crescent, Edinburgh Park, Edinburgh EH12 on Tuesday 21 May 1996 at 2.15 pm for the following purposes:-

1. To consider the Report on the activities of the Company for the year ended 31 December 1995.
2. To approve the aggregate ordinary remuneration to be made available to the Directors of the Company.
3. To reappoint Directors of the Company retiring by rotation at the Meeting, namely:-
   (a) Maxwell C B Ward
   (b) Paul H Grace
   (c) David A Berridge.

Any Qualifying Policyholder who is entitled to attend and vote is entitled to appoint another person (who need not be a Qualifying Policyholder) as his proxy to attend and vote instead of him. A proxy is entitled to vote but is not entitled to speak except to demand or join in demanding a poll. Proxy forms, which can be obtained from the Company Secretary (at the following address), must be deposited at 28 St Andrew Square, Edinburgh EH2 1YF before 2.15 pm on 19 May 1996.

Every Qualifying Policyholder whose policy, as at the commencement of the Meeting, is in force, and has been at least one year in force, is entitled to attend and vote at the Meeting.

"Qualifying Policyholders" for the purposes of this Notice has the meaning set out in the trust deed executed by the Company on 31 December 1993 and extends to:-

(a) any person who was a member of Scottish Equitable Life Assurance Society and whose policy has been transferred to Scottish Equitable plc;

(b) any person who has a with profits policy with Scottish Equitable plc where the policy has been linked to the With Profits Sub-Fund for a continuous period of at least one year as at the commencement of the Meeting.

Any queries in respect of the qualification of policyholders to attend and vote at the Meeting should be addressed to the Company Secretary (at the address specified below).

28 St. Andrew Square
Edinburgh EH2 1YF

By Order of the Board
P H Grace
Managing Director

COMPANIES AND FINANCE: UK

Premier League deal linked to subscriptions and may be worth £700m

BSkyB rises 71% to £178m

By Raymond Snoddy

British Sky Broadcasting, the satellite television group, has proposed a joint venture with the English soccer Premier League for the exploitation of television football rights.

Under the proposal for the renewal of BSkyB's crucial football contract the Premier League will be offered a percentage of every subscription to Sky Sports channels rather than an up-front sum.

The next broadcasting deal with the Premier League could be worth £500m or even £700m. ($1.06bn) BSkyB is trying to outflank possible rivals for the rights by offering a much closer relationship with the League in line with the satellite broadcaster's deal with the Hollywood movie studios which are paid on a per-subscriber basis.

News of BSkyB's approach on the new Premier League contract to run from the 1997-98 football season came as the company announced a 71 per cent increase in pre-tax profits to £178m for the nine months to March 1996. Analysts are looking for full-year profits of more than £250m.

The satellite company also confirmed that it was planning to launch digital satellite television in the UK in autumn 1997.

In the past nine months BSkyB turnover has risen 30 per cent to £736m and the total number of paying subscribers has increased to 5.35m in the UK and Ireland.

Ashley Ashwood

Sam Chisholm: soccer deal similar to one with movie studios

Vodafone raises holding in SFR

By Christopher Price

Vodafone, the telecommunications group, is paying FFr2.31bn to increase its stake in SFR, France's second biggest mobile telecommunications company, in a move which values it at FFr35bn.

Vodafone is taking its share from 10 per cent to 16.5 per cent, and said it intended to exercise its option to increase this to 20 per cent before the end of 1997.

Analysts said the valuation put on the French group suggested a "full" price was being paid by Vodafone for a company of which it was unlikely to gain control. The agreed limit of Vodafone's interest in SFR is 20 per cent. The remainder is owned by a consortium headed by Compagnie Génerale des Eaux and which includes Alcatel and Southwestern Bell.

SFR, which last year lost FFr1.15bn (FFr658m), is the main competitor to France Telecom in the French cellular market. Of the 1.6m subscribers, SFR has about 550,000, with more than three-quarters taking the digital service. Digital is seen as the future medium for the cellular market, giving better reception and more flexibility to offer value added services.

Vodafone will use existing debt facilities to pay for the deal. It recently raised £500m in the bond market.

Vodafone has two directors on the SFR board and is credited with revamping the company's marketing strategy. The company said the French market, which has a penetration of around 3 per cent against 10 per cent in the UK, holds great potential for expansion. Analysts expect SFR to become profitable by the end of 1997.

SFR will use the Vodafone money to continue expanding its network. It currently has 80 per cent coverage, against 90 per cent for France Telecom's "Itineris" service. A third licence-holder is due to start operating later this month.

June date for Sun/Royal link approval

Shareholder approval for the merger of Sun Alliance and Royal Insurance, the composite insurers, is expected to be sought in early or mid-June, the companies indicated yesterday, writes Ralph Atkins.

A detailed timetable for the £6bn ($9bn) link-up is expected to be agreed shortly, following the merger's announcement last Friday. Initial High Court hearings on the proposed deal are expected within the next two or three weeks with extraordinary general meetings for the two companies held about three weeks later.

The two companies are seeking approval from the Department of Trade and Industry, the European Commission and other regulatory organisations in the UK and US.

The merger will be effected by a scheme of arrangement between Royal Insurance and its shareholders. Royal's issued share capital will be cancelled and re-issued to Sun Alliance, which will change its name to Royal Sun Alliance.

A holder of 1,000 Royal Insurance shares will hold 1,067 Royal Sun Alliance shares and a holder of 1,000 Sun Alliance shares will hold 1,000 Royal Sun Alliance shares.

Buoyant Chiroscience seeks £40m in placing

By Simon Kuper

Shares in Chiroscience continued their rise yesterday, climbing 45p to 500p as the biotechnology company presented a bullish statement accompanying its annual results and gave details of a placing and open offer to raise £40.3m ($61m) net.

The shares have risen by 217p since April 25, when the company published a research and development update. Chiroscience is now valued at £355.9m.

The results for the year to February 29 showed increased pre-tax losses of £11.6m (£9.23m). Research and development spending rose 39 per cent to £12.1m while sales were up almost threefold to £4.96m (£1.71m).

Chiroscience also announced the acquisition of the pilot-scale development facility of Resolution Chemicals, a subsidiary of E Merck, for £5.5m.

The 10.3m new shares have been conditionally placed at 410p each. The open offer is on a 1-for-7 basis and dealings are expected to start on on June 4.

After the placing the company will have about £57m cash. Ms Christine Soden, finance director, said that should last two to three years.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
A de Groeky ♦	Yr to Jan 31	47.3	(42.8)	2.17	(2.14)	11.9	(11.4)	4.29⁑	July 10	1.64	6	5.64
BP	3 mths to Mar 31	10,356	(8,793)	736‡	(514‡)	12.9	(9.3)	[illegible]	Aug 5	3	-	15.25
BSkyB	9 mths to Mar 31	736.3	(564.9)	177.5	(104.1)	[illegible]	(6.38)	-	-	-	-	25
Chiroscience	Yr to Feb 29	[illegible]	(1.71)	11.6L	(9.23L)	16.8L	(13.6L)	-	-	-	-	-
Gieves	Yr to Jan 31	[illegible]	(19.2)	2.74♥	(1.56♥)	10.5	(5.7)	1.5	July 1	1.25	2.25	1.75
[illegible] §	6 mths to Feb 29	0.218	(0.282)	0.73L♠	(1.42L♠)	2.7L†	(6.6L)	-	-	-	-	-
Nelson Cabbold ♦	6 mths to Mar 31	4.81	(3.65)	0.942	(0.419)	20.4	(9.8)	2	May 22	1	-	4.5
Premium [illegible]	6 mths to Feb 29	-	(-)	0.043L	(0.001L)	0.27L	(0.01L)	-	-	-	-	-
Stratagem	6 mths to Feb 29	55.2	(45.6)	0.449	(1.5)	1†	(7.3)	2	July 1	2	-	6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Montanaro UK Small	67 wks to Mar 31	128.17	(98.59♦)	0.446	(-)	1.78	(-)	1.5	July 30	-	1.5	-
Schroder [illegible] Growth	6 mths to Feb 29	116.07	(105.95#)	1.81	(-)	1.91	(2.84)	1☆	-	2.25	-	2.25

Earnings shown basic. Dividends shown net except ⁑net of Jersey income tax. Figures in brackets are for corresponding period. ♦Aim stock. ‡Post tax. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. ♦At March 31 1995. #At August 31. ☆Already paid, making 2p to date.

COMMODITIES AND AGRICULTURE

Pulp producer forecasts sustained price recovery

By Alison Maitland

Pulp prices will continue to recover and could reach about $650 a tonne by the autumn, Mr Eugene Van As, executive chairman of Sappi, the South African forest products group, predicted yesterday.

Mr Van As said that the over-reaction to last year's surge in prices had been "far too violent".

The price of northern bleached softwood kraft, the industry benchmark, plunged from $1,000 a tonne last September to less than $500 a tonne and spot prices fell below $450.

US pulp producers have started pushing prices back up but some industry analysts are doubtful that producers will cut output enough to make the recovery stick.

Mr Van As said he believed the price could reach around $550 by the end of May.

"It wouldn't surprise me if it got to the mid $600s after the summer, and maybe $700 by the year end. It will rise fairly steadily next year."

The Sappi chairman said there would be "a big move" of stocks from pulp producers to paper makers and the former would continue to "take downtime", or halt production.

"Some mills have shut down for four weeks unannounced because the price got below the cash cost – even the way the pulp industry calculates it," he said.

He said sales of paper by mills to distributors were beginning to recover, while demand for paper from end-users had not been "too bad" and should continue to grow by 5 to 6 per cent a year.

Mr Van As renewed his prediction of last summer that there would be more consolidation of companies in the pulp and paper sector, even though the fall in pulp and paper prices had put a squeeze on spare cash.

"I have a feeling it might accelerate because there's quite a lot of coated paper capacity coming in in Europe between now and December 1997," he said.

"There will have to be a bit more consolidation in Europe. But it's quite difficult because very few companies have balance sheets which make it possible to do it easily."

That meant mergers were more likely than acquisitions.

He pointed out that the global industry was still highly fragmented, with the top 10 or 15 companies holding only a 15 per cent market share.

● Venezuela's Corporación Venezolana de Guayana, the state industrial holding concern, has opened a bidding process on rights to exploit 62,368 hectares of timber land for 15 years. Located in the Eastern states of Monagas and Anzoategui, the Caribbean pine plantation is expected to produce up to 353,555 cubic metres of timber in the first seven years and an average of 648,000 cu m from then on.

The bidding process closes on May 30.

Copper industry group aims to polish up market statistics

By Kenneth Gooding, Mining Correspondent

A global effort is to be made to identify the reasons international copper market statistics have been unreliable for several years and to develop strategies to improve the reporting of these statistics.

The move comes at a time when many analysts suggest there will be a growing surplus of refined copper – the most heavily traded non-ferrous metal – in the coming months and that this will have a depressing impact on prices.

The United Nations-sponsored International Copper Study Group is organising a short seminar in June to deal with these problems. A number of copper industry consultants, including Bloomsbury Minerals Economics, Brook Hunt, CRU International, and the World Bureau of Metal Statistics, will take part in the forum that will have Mr Philip Crowson, chief economist of RTZ-CRA, the world's biggest mining group, as its chairman.

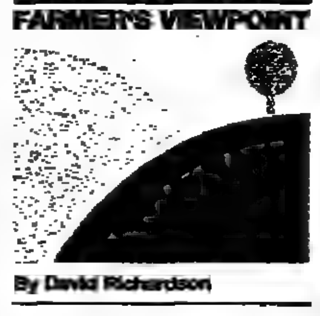
The ICSG says that for several years statistical agencies have been unable to reconcile the difference between calculated refined copper market supply deficits with obvious changes to copper stocks. "A number of factors have been identified as possible causes including: the availability and accuracy of trade data; incomplete producer and consumer stock statistics; the under-reporting of refined production resulting from the use of blister copper and/or copper scrap at brass mills; the over-estimation of consumption; and the lack of uniform interpretation of existing statistical definitions," it says.

Concern about copper market statistics has been increasing this year. The World Bureau admitted in March that its data, used by many international metals analysts, might be wrong after the possibility was raised by Bloomsbury Minerals. Mr Peter Hollands of Bloomsbury pointed out that there was "evidence for systemic error in the data" and "there is a real risk that busy analysts will take the statistics at face value".

US feedlots find dear grain hard to swallow

Operating losses mean that many American beef producers may soon be bankrupt

FARMER'S VIEWPOINT



By David Richardson

Grain futures on the Chicago Board of Trade have recently been on a rollercoaster ride. Caused by a combination of depleted stocks, the prospect of low wheat production across the mid-west following a cold, and very dry winter, together with increasing world demand, the volatile market has been compared to the boom-and-bust of the early 1970s.

On the face of it there are similarities. But the record dollar crisis of a couple of weeks ago were nowhere near those of 1973 when adjusted for inflation. At 1996 values the top price of wheat in 1973 would have been around $18 per bushel compared with $7 last month. Similarly, the maize price in 1973 would have equated to over $10 per bushel today, whereas last week's peak was only half that.

Nevertheless, the sharp rise in grain values has provided a boost to the incomes of arable farmers across the world. At the same time, however, it has created severe problems for an already troubled livestock sector, which has to purchase that grain to feed its animals.

As I travelled across the US a few days ago I learned details of some of those problems. Chicken farmers in the state of Maryland, which claims to have the greatest concentration of meat poultry in the world, were slaughtering some of their breeding hens to save costs. They reckoned the high price of feed, which is likely to last for several months at least, would mean losses on every bird produced. So, they were trying to cut those losses by reducing future production. Poultry farmers in the Shenandoah Valley in Virginia were taking similar drastic action.

At the Oklahoma Stockyards, the biggest market for "feeder" cattle in the USA, I watched young cattle being sold for finishing in feedlots make only 45 cents to 50 cents a pound – half what they would have fetched a couple of years ago. Indeed, some went through the ring unsold, the owners preferring to try to get a better price another day. Whether their hopes will be realised is questionable. Apart from the high cost of feeding grain-based rations to those cattle to bring them to slaughter weight, the present supply of beef cattle in the US far outstrips demand.

It has been estimated that 90m animals is the optimum to supply domestic and export markets. But the number has risen to near 110m head over the past three years and producers are paying the price for their unbridled expansion. The cost of feed is clearly exaggerating the effect and US Department of Agriculture economists I spoke to thought it would be 1998 before most beef producers are back in profit. As the president of Oklahoma Stockyards, Mr George Hall, told me: "There'll be a lot of bankrupt beef producers around here soon."

Hog (pig) farmers are in trouble too. Around 80 per cent of the cost of producing pigs is accounted for by cereal-based feed. The relatively sudden rise in its cost has halted the dramatic expansion of the US herd. Major companies, the top ten of which collectively have as many breeding sows as the entire UK herd and whose integrated operations include feed manufacturing, pig farming and slaughtering, have, for the time being, stopped expanding. Some smaller producers, on the other hand, are reported to have begun slaughtering breeding sows or delay mating them in order to slow production and cut losses.

To such farmers the steep fall in grain prices in recent days is good news. To the speculators who got in on the Chicago rollercoaster too late, it may spell disaster. The price "correction" was brought about by the realisation that more wheat had been planted around the world this year in response to market values, which had in any case been creeping up. The official USDA view is that this will rebuild world stocks and that prices will return closer to more normal levels in the medium term.

I do not disagree fundamentally with that opinion. But it should be pointed out that much will depend on the weather in key grain growing areas. The US remains by far the most important producer and exporter of grain in the world. It is estimated that almost half of the wheat planted in the main producing states was dead or dying before the recent rain. While the new Freedom to Farm Act will have enabled some of that land to be replanted with maize, the fact that it was first planted to wheat suggests it is more suited to that kind of production.

Moreover, the partial crop failure has occurred at a time when US carryover stocks have fallen sharply. USDA figures released in mid-April indicated that the stocks to use ratio for US wheat was likely to fall between last year and this year from 20 per cent to 12 per cent; that for maize from 17 per cent to 4 per cent and for soyabeans (used for protein in animal rations) from 14 per cent to 8 per cent.

Meanwhile demand for grain by several of the booming economies in south-east Asia seems set to increase sharply over the next few years to feed livestock to satisfy a growing demand for meat. It seems to me unlikely, therefore, that we will see a collapse in grain prices. It is likely that they will stabilise at levels lower than the recent peak but substantially higher than was the norm a year or so ago.

The European Union, on the other hand, is sticking with its policy of set-aside. EU agriculture ministers last week agreed to a continuation of the basic rate of 18 per cent of eligible crops – although the actual figure, to be decided later, is likely to be significantly lower.

Given high prices and apparent world demand, which together would appear to ensure any EU export would escape Gatt restrictions for the time being, plus that fact that even before the Freedom to Farm Act became law, set-aside had been all but abandoned in the US, I asked a senior economist at the USDA in Washington how he viewed EU policy. He replied, diplomatically and with a smile, that he thought it was "curious".

Fruit fly found in Aukland

By Terry Hall in Wellington

New Zealand agricultural officials are mounting a full scale eradication drive in Auckland after the discovery of Mediterranean fruit fly.

The pests are seen as a major threat to New Zealand's exports of fresh fruit and vegetables, which were worth NZ$1.4bn (US$960m) last year. Australia instantly banned the imports of fruit and vegetables from Auckland, and all fruit that is shipped from the city's port is being treated.

There are fears that Japan, one of the main buyers of the country's kiwifruit, squash and other products, may ban imports, although Mr Lockwood Smith, the minister of agriculture, said last night that the Tokyo government seemed to appreciate the full scale efforts being made in New Zealand to eradicate the pests and limit the spread outside Auckland residential gardens.

Mr Smith promised greater efforts to ensure that tourists and others did not try to smuggle fruit into the country.

MARKET REPORT

Cocoa futures retreat from highs

Light producer selling shaved gains in London Commodity Exchange COCOA futures yesterday afternoon after prices had soared to fresh 21-month highs. The July delivery contract ended £1 up at £1,104 a tonne after reaching £1,120 in the morning.

Traders said volume exchange was thin amid increased nervousness ahead of initial 1996/97 Ivory Coast crop estimates, which could emerge in a few weeks.

A squeeze on the September contract has been stirred by fears that the crop could be smaller than this season's record harvest and fall short of rising industry demand.

"People are frightened to sell it," said one trader.

LCE robusta COFFEE futures meanwhile drifted until industry buying lifted the contract from its lows. Low consumer stocks and improved consumption prospects as well as Brazil's approaching frost season were expected to keep prices underpinned in the short term, traders said.

At the London Metal Exchange COPPER and LEAD prices raced upwards in afternoon trading, hitting four-month and 5½-year highs respectively.

Traders said chart factors and increasing technical tightness, particularly in the copper market, were influential.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1620.5-21.5	1653-54
Previous	1626-27	1656.5-57
High/low	1622.5	1658/1649
AM Official	1622.5-23	1654-55
Kerb close		1654-55
Open int.	207,123	
Total daily turnover	45,475	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1355-60	1395-97
Previous	1355-65	1395-98
High/low		1397/1395
AM Official	1355-60	1395-98
Kerb close		1397-1400
Open int.	5,365	
Total daily turnover	902	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	872-4	852.5-3.5
Previous	858.5-9.5	843-43.5
High/low		863/836
AM Official	857-8	838-40
Kerb close		861-2
Open int.	35,408	
Total daily turnover	11,126	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	[illegible]	8350-55
Previous	8135-45	8220-25
High/low		8470/8235
AM Official	8195-200	8265-80
Kerb close		8450-60
Open int.	38,300	
Total daily turnover	15,712	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6595-605	6590-600
Previous	6620-30	6620-30
High/low	6595/6580	6610/6570
AM Official	6589-90	6585-88
Kerb close		6600-10
Open int.	17,015	
Total daily turnover	2,701	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	[illegible]	1078-79
Previous	1049.5-50.5	1074-75
High/low	1046	1079/1070
AM Official	1046-47	1071-72
Kerb close		1078-79
Open int.	73,161	
Total daily turnover	9,726	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2792-97	2662-64
Previous	2750-55	2636-37
High/low	2760	2667/2632
AM Official	2755-60	2638-39
Kerb close		2666-67
Open int.	172,814	
Total daily turnover	64,807	

■ LME AM Official £/$ rate: 1.5098

LME Closing £/$ rate: 1.5098

Spot: 1.5125 3 mths: 1.5107 6 mths: 1.5098 9 mths: 1.5087

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
May	128.70	+4.20	128.95	124.50	598	7,682

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	394.2	+0.1	-	-	-	-
Jun	395.8	+0.1	396.0	394.8	10,953	91,945
Aug	398.3	+0.1	398.5	397.5	1,091	22,058
Oct	400.9	+0.1	400.9	400.7	88	5,814
Dec	403.6	+0.2	403.8	402.6	1,570	27,125
Feb	406.2	+0.2	406.2	405.4	12	5,150
Total					22,994	201,639

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	409.5	+1.0	409.9	407.1	718	19,915
Oct	412.4	+0.9	412.0	411.0	116	3,558
Jan	415.2	+0.9	-	-	2	911
Apr	417.9	+0.9	-	-	2	1,318
Total					891	25,702

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	137.00	+0.05	138.50	136.25	107	4,674
Sep	138.15	-	138.50	138.25	7	2,719
Dec	138.25	-	-	-	10	440
Total					124	8,689

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	547.3	+2.8	548.5	542.5	45	286
Jun	549.3	+2.5	-	-	2	3
Jul	551.5	+2.5	555.0	546.0	9,946	66,027
Sep	556.7	+2.6	562.5	551.5	191	13,826
Dec	564.4	+2.7	568.5	560.0	150	9,509
Mar	572.4	+2.8	571.5	569.5	6	3,559
Total					10,423	98,695

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	21.28	+0.24	21.28	20.88	41,891	96,532
Jul	20.14	+0.07	20.22	19.97	17,089	71,270
Aug	19.42	+0.04	19.47	19.26	6,148	52,518
Sep	18.87	-0.08	19.03	18.86	1,370	35,981
Oct	18.70	-0.06	18.84	18.70	503	24,109
Nov	18.54	-0.06	18.63	18.51	336	16,307
Total					77,449	464,939

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	18.53	+0.36	19.50	18.28	20,155	50,352
Jul	18.43	+0.02	18.54	18.33	10,841	[illegible]
Aug	17.92	-0.13	17.97	17.77	3,754	22,047
Sep	17.46	-0.15	17.60	17.45	945	12,804
Oct	17.24	-0.17	17.34	17.24	614	7,322
Nov	17.14	-0.12	17.20	17.14	387	4,677
Total					35,358	200,865

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jun	55.35	+0.79	56.35	54.30	11,473	23,881
Jul	52.80	+0.53	52.95	52.25	3,392	16,168
Aug	52.20	+0.25	52.80	[illegible]	[illegible]	13,798
Sep	52.50	+0.30	52.90	52.40	782	7,347
Oct	52.85	+0.20	53.45	52.85	532	4,040
Nov	53.50	+0.15	54.00	53.50	143	4,054
Total					22,893	85,881

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	130.40	-2.10	131.50	130.[illegible]	74	483
Jul	132.60	-2.00	133.90	132.50	121	1,664

■ WHEAT CBT

■ MAIZE CBT

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT

■ SOYABEAN OIL CBT

■ SOYABEAN MEAL CBT

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1033	-29	1060	1065	148	550
Jul	1105	+2	1120	1100	1,988	24,429

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	61.125	+0.325	61.475	60.800	11,202	31,086
Aug	61.900	+0.300	62.175	61.525	4,629	25,161

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

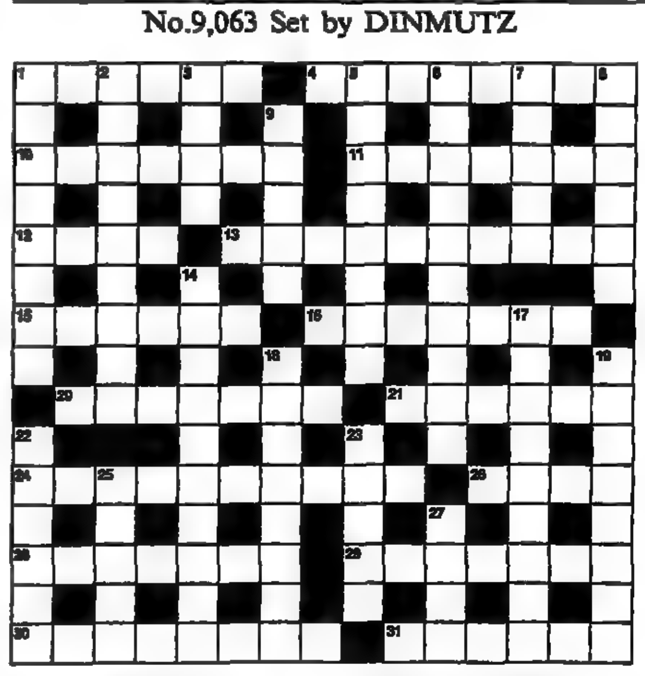
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ NATURAL GAS (Pence/therm)

■ OTHER

CROSSWORD

No.9,063 Set by DINMUTZ



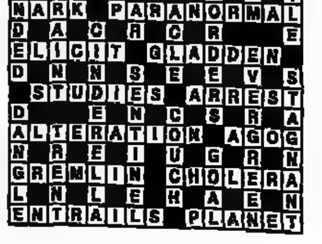
ACROSS

1 Dicky the painter (3,3)
4 Padre takes tea without milk and sugar (8)
10 Smuggle grain here in Cheshire (7)
11 Lightest element of one held by buzz, after being turned on? (7)
12 A fashion from a particular place (4)
13 Turner used one to represent a burnt ship (10)
15 Latin at cathedral in recent times? (6)
16 Futile advice to the prodigal (7)
20 Plant used medicinally is filling a demand (7)
21 Days, we hear, translating Proust (6)
24 One protects a Windsor with unrestricted insurance (5-5)
26 Well turned-out barber? (4)
28 Stress of tin ones coming apart (7)
29 It takes a second to loosen Bobby up (7)
30 Resistance to scratching troublesome head (8)
31 Incentive to do something with vehicle corrosion (6)

DOWN

1 One is on the rocks, unclothed and full of salt (8)
2 Racecourse victory with Tin Fashion (9)
3 Image of a Coptic one, possibly (4)
5 Divine quality of half-holidays on headland (8)
6 Drinking qualification, using mug craft? (10)
7 Go out, dressed in gold, for so long (5)
8 Beautiful young women speed south after city (6)
9 Cronin's doctor does not begin work of dentist (5)
14 Genial wag's drunk – a Scotsman (10)
17 Extremely popular entertainer in parts sure to excite (9)
18 Tells of dramas at elections? (8)
19 Bared tum, prepared for tattoo (8)
22 Snatch eggs from a single nest (6)
23 Conditions of premises? (5)
25 Holder of new pieces in gold (5)
27 Euphonium over border? (4)

Solution 9,062



German sector loses gains on bearish data

By Samer Iskandar in London and Lisa Bransten in New York

German bunds reversed the gains they had made earlier in the day after the release of bearish economic data. Liffe's June bund future settled at 95.73, down 0.07 from Monday and more than 0.25 point below the day's high.

The 1.2 per cent rise in industry orders in March was stronger than economists had predicted. Observers say the real factor weighing on bunds has been the accumulation of data confirming an economic recovery, but the perception that inflationary pressures remain moderate should have a positive influence.

■ French OATs opened slightly better and traded higher, but fell in line with bunds before the close. Volumes were modest ahead of today's Victory Day holiday.

GOVERNMENT BONDS

Matif's June notional future closed at 122.70, down 0.06. In the cash market, the 7¼ per cent OAT due 2006 ended at 105.30, down 0.06. Its yield spread against the 10-year bund was stable at minus 3 basis points.

Mr Adrian Owens, European economist at Julius Baer Investments, warns that signs of economic recovery might soon lead investors to revise expectations that French interest rates are heading lower.

He believes French GDP has grown by about 3 per cent (annualised) in the first quarter of 1996 and the "economy is past the bottom of the cycle".

■ Italian BTPs traded on a positive note most of the day but closed slightly lower. Liffe's June BTP future was hit by profit-taking soon after reaching 114.30 and ended the day at 113.81, down 0.13.

However, Mr Owens believes the 10-year yield spread could soon fall to 300 basis points, from 334 yesterday, and possibly further in coming months.

"Although much of the good news is priced into the market, the outlook is still positive," said Mr Owens, who expects inflation to continue falling and predicts "imminent fiscal restraint" by the government.

■ Spanish bonds did not take heart from the central bank's decision to cut its repo rate by 25 basis points to 7.5 per cent. The June future on 10-year bonos ended the day at 98.19, down 0.05, in line with bunds and other European markets.

■ Traders said UK gilts had a very quiet session. Liffe's June long gilt future settled at 104$\frac{19}{32}$, unchanged from Friday. Market participants expect today's trading to focus on the monthly meeting between the governor of the Bank of England and the chancellor of the exchequer, although no action on interest rates is anticipated.

■ US Treasury prices were modestly lower in early trading yesterday as dealers prepared for the afternoon auction of three-year notes.

Near midday, the benchmark 30-year Treasury was down $\frac{3}{32}$ at 86⅝ to yield 7.080 per cent and the two-year note down $\frac{1}{16}$ at 99$\frac{7}{16}$, yielding 6.163 per cent. The June Treasury bond future was $\frac{7}{32}$ lower at 106$\frac{5}{32}$.

Wall Street was optimistic that there would be decent demand when the Treasury completed its sale of $19bn in three-year notes. The average yield was expected to be close to the 6.38 per cent the note was trading at yesterday morning in when-issued form.

The auction was the first round of the Treasury's quarterly refunding. Today, it is to auction $14bn of 10-year notes.

There was little economic data to move the markets, so activity was quiet as investors waited for Producer Price Index figures on Friday.

Rising commodity prices exerted some pressure on the bond market, with the Knight Ridder-Commodity Research Bureau index up 1.22 at 258.60 early yesterday.

Facility unveiled to fund Midlands Electricity bid

By Antonia Sharpe

Pent-up demand among banks to gain exposure to the UK electricity sector, widely seen as one of the strongest corporate credits in the syndicated loans market, was partially satisfied yesterday when a £1.5bn loan was unveiled to finance the takeover of Midlands Electricity by General Public Utilities and Cinergy Corp of the US.

SYNDICATED LOANS

The five-year loan, which is jointly underwritten by BZW and Chase, makes up for the disappointment felt in the market last week when two large acquisition financings for National Power and PowerGen were withdrawn following the UK government's decision to block their bids for two regional electricity companies.

Because the bid for Midlands is agreed, bankers are confident this loan will not slip through their hands. Pricing is 75 basis points over London interbank offered rate, reflecting its being a non-recourse facility, a structure used by fellow Americans Southern Company and Central and South West when they took over Sweb and Seeboard respectively.

The structure means banks lending the money to finance the takeover will have recourse only to the special purpose vehicle set up to hold Midlands' assets, and not the companies making the acquisition.

BZW and Chase expect to start sub-underwriting the loan by the end of the week and in view of the number of calls they have had from other banks wanting to participate in the loan, it should be a straightforward task.

Elsewhere, the disappointing syndication of the £2.35bn facility for Railtrack has hardened the view held by many bankers that pricing in the syndicated loans market has bottomed out. "There are straws in the wind which suggest that things are not going as well as they were three or four months ago," said one banker.

However, bankers involved in Railtrack's loan, which was signed by eight underwriters in early April, said the negative responses came mainly from foreign banks concerned about the political risk associated with the company, which is in the process of being privatised, rather than the pricing.

The syndication process for Railtrack's loan is scheduled to close at the end of this week. It is anticipated that part of the facility will be refinanced in the capital markets once the company receives its credit rating, which is expected in the next few months.

Bankers are also waiting to see how Skandia Capital's $200m seven-year facility progresses in view of its fine margin over Libor of 17.5 basis points for the first five years, rising to 22.5 basis points for the last two. Den Danske Bank and Enskilda are the arrangers.

However, since the pipeline of new transactions is slowing down but banks are still keen to lend, competition to win mandates remains fierce.

At least six individual banks or groups of banks are believed to have bid to arrange a $100m five-year to seven-year refinancing for Trans-Tunisian Pipeline Company at a margin over Libor of about 20 basis points.

TTPC is regarded as a high-quality Italian credit because the loan is secured on a payment agreement from Snam, the gas pipeline subsidiary of Eni, the Italian energy group.

Strong demand for spate of retail-targeted dollar deals

By Conner Middelmann

After last week's lacklustre dealings, the eurobond market came back to life yesterday, with the US dollar sector being particularly busy.

The recent decline in US Treasury prices has pushed coupon levels there higher, attracting coupon-hungry retail investors. Short-dated bonds, preferred by retail investors, now offer a pick-up of around 200 basis points over D-Mark or Swiss franc paper.

Moreover, May and June see large US dollar-denominated eurobond redemptions – estimated at $12bn in fixed-rate bonds alone – looking to be reinvested. While the dollar may not continue to appreciate against the D-Mark, many investors expect it to stabilise around current levels, a syndicate official said.

The day's most successful deal was a $350m, 6⅝ per cent five-year offering for Unilever, which attracted such demand that its yield spread narrowed from an already tight 8 basis points over Treasuries at launch to 2 basis points in late trading. Bookrunner ABN Amro, which led the deal jointly with Goldman Sachs, reported strong demand for this rare issuer from Swiss and Benelux retail investors, but said institutions were also buying, largely on speculation that retail demand would cause the spread to tighten.

INTERNATIONAL BONDS

In the two-year sector, General Motors Acceptance Corp issued $200m of 6.5 per cent bonds targeted at European retail accounts, which have grown increasingly comfortable with the borrower since its upgrade last autumn, said lead manager Paribas Capital Markets.

"We've seen European investors looking for spread product with two-year maturities, and after recent triple-A rated two-year deals, the GMAC offering saw good interest," a syndicate official said. Nevertheless, the yield gap widened from 22 basis points over Treasuries at launch to 25 basis points.

Another short-dated deal targeted at European retail was the Kingdom of Sweden's $250m of 6.25 per cent bonds priced at 10 basis points over Treasuries. Since the bond matures in December 1998 but was priced off the Treasury due April 1998, dealers said the pricing was aggressive; indeed, the spread over Treasuries widened from 10 to 13 basis points. However, lead manager Daiwa was confident that the issue would perform well, helped by its sovereign status.

Meanwhile, Bayerische Vereinsbank is set to issue $500m of five-year bonds today with a likely spread of around 20 basis points over Treasuries, via J.P. Morgan and Paribas. Toyota Credit is expected to launch $750m of five-year eurobonds at 16–18 basis points over Treasuries this week.

● Moody's Investors Service yesterday placed the triple-A senior long-term debt ratings of France Télécom under review for possible downgrade after the government released a draft bill that incorporates a proposed change in its legal status to that of a corporation subject to common law.

Standard & Poor's placed its A-1+ short-term debt rating of Midlands Electricity on CreditWatch with negative implications following the announcement of an agreed £1.73bn takeover group by General Public Utilities, of the US.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Unilever(f)	250	6.625	99.533R	May 2001	0.25R	+8(6¼%-01)	ABN Amro/Goldman Sachs
Kingdom of Sweden(s)	250	6.25	99.85R	Dec 1998	0.15R	+10(5¾%-98)	Daiwa Europe
General Mtrs Acceptance Corp	200	6.50	100.08R	Jun 1998	0.20R	+22(5¾%-98)	Paribas Capital Markets
Xerox Credit Corp	150	6.50	99.748R	Jun 1999	0.225R	+12(W1 3yr)	Citibank International
Spintab‡	150	(a)	99.945	May 1998	0.05	-	HSBC/PaineWebber Intl(UK)
D-MARKS							
SBC Jersey(b,s)	150	4.75	101.45	Dec 1999	1.75	-	SBC Warburg
SWISS FRANCS							
PepsiCo(s)	125	4.00	102.50	Dec 2001	2.00	-	Merrill Lynch/UBS
FRENCH FRANCS							
Cie Financière de Paribas	4bn	6.00	100.00R	Jun 2001	0.30R	+40(§)	Banque Paribas
ITALIAN LIRE							
KfW International Finance	300bn	8.75	101.548	Jun 2001	1.875	-	IMI Lux/Paribas Cap Mkts
Crédit Local de France	200bn	9.00	101.775	Jun 2001	1.875	-	Credito Italiano
LUXEMBOURG FRANCS							
SNCF(s)	2.5bn	5.625	102.40	Dec 2001	1.875	-	Banque Générale du Lux
Eurofima	2bn	6.50	102.20	Jun 2006	1.875	-	BIL/Banque Paribas Lux
European Investment Bank(s)	2bn	6.375	102.40	Dec 2004	1.875	-	BIL/Crédit Européen
AUSTRALIAN DOLLARS							
State Bank of New South Wales	125	8.75	101.40	Jun 2001	2.00	-	Deutsche Morgan Grenfell
Rabobank Australia	100	8.25	100.88	Jun 1999	1.50	-	Hambros Bank
CANADIAN DOLLARS							
Abbey Natl Trsy Services(s)	100	7.00	99.975R	Dec 1999	0.20R	+7(7¾%-99)	CIBC Wood Gundy
PESETAS							
Helaba Finance	10bn	8.30	101.177	Jun 2001	1.625	-	BCH/SBC Warburg
ECU							
Finance for Danish Industry	55	(c)	101.54	Jun 2002	1.875	-	Kredietbank Intl Group
DANISH KRONER							
La Sires, Series 14(d)‡★	290	(d1,s)	100.00	Feb 1999	0.10	-	Merrill Lynch/Nykreditbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Fungible with DM250m. Plus 47 days accrued. c) 5¼% to 17/6/99 and 8% thereafter. d) Repackaged Italian government fixed rate Ecu bonds (CTEs). d1) 3-mth Cibor +18bp. § Over interpolated yield. ‖ Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.8520	+0.140	8.95	8.70	8.84
Austria		6.125	02/06	97.1800	+0.140	6.52	6.37	6.49
Belgium		7.000	05/06	101.6900	+0.110	6.78	6.63	6.79
Canada *		8.750	12/05	106.2900	–0.260	7.86	7.78	7.59
Denmark		8.000	03/06	103.8200	+0.220	7.43	7.23	7.58
France	BTAN	5.750	03/01	100.6250	+0.120	5.60	5.45	5.81
	OAT	7.250	04/06	105.3000	–0.060	6.51	6.40	6.63
Germany Bund		6.250	04/06	97.8000	+0.200	6.54	6.37	6.41
Ireland		8.000	08/06	101.3500	+0.100	7.79	7.50	8.02
Italy		9.500	02/06	99.0300	–0.120	9.68†	9.62	10.60
Japan	No 140	6.600	06/01	118.2820	–0.200	2.56	2.52	1.96
	No 182	3.000	09/05	97.1270	+0.070	3.41	3.37	3.26
Netherlands		6.000	01/06	96.7000	+0.080	6.46	6.27	6.42
Portugal		11.875	02/05	116.4000	–	9.07	8.90	9.55
Spain		8.800	04/06	97.1400	–0.140	9.28	9.14	9.71
Sweden		6.000	02/05	84.4250	–0.050	8.60	8.21	8.50
UK Gilts		8.000	12/00	101-20	–	7.57	7.38	7.48
		7.500	12/06	94-28	–	8.24	8.04	8.13
		9.000	10/08	105-02	+1/32	8.34	8.16	8.24
US Treasury *		5.625	02/06	91-08	–3/32	6.87	6.65	6.26
		6.000	02/26	86-20	+1/32	7.08	6.89	6.61
ECU (French Govt)		7.500	04/05	103.2600	–0.220	6.99	6.79	7.14

London closing, *New York mid-day. Yields: Local market standard.

† Gross (including withholding tax at 12.5 per cent payable by nonresidents)

Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.12	Two year	6.15
Prime rate	8¼	Two month	5.03	Three year	6.33
Broker loan rate	7	Three month	5.15	Five year	6.59
Fed.funds	5¼	Six month	5.34	10-year	6.86
Fed.funds at intervention	-	One year	5.66	30-year	7.07

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	122.82	122.70	–0.06	123.00	122.66	101,689	159,250
Sep	121.40	121.22	–0.08	121.48	121.20	1,015	11,357
Dec	120.22	120.00	–0.12	120.26	120.20	1,142	6,148

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
120	-	-	-	0.06	0.46	0.84
121	1.65	-	-	0.14	0.79	1.20
122	1.05	0.55	1.01	0.33	1.30	1.60
123	0.44	0.25	0.59	0.72	2.01	-
124	0.13	-	0.36	1.41	-	-

Est. vol. total, Calls 18,740 Puts 19,166. Previous day's open int., Calls 137,827 Puts 178,538

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.93	95.73	-0.07	96.04	95.71	100787	181809
Sep	95.06	94.79	-0.09	95.07	94.78	1833	9979

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9550	0.60	0.43	0.64	0.79	0.37	1.14	1.35	1.50
9600	0.34	0.27	0.45	0.59	0.61	1.48	1.67	1.80
9650	0.17	0.16	0.31	0.44	0.94	1.87	2.02	2.15

Est. vol. total, Calls 19540 Puts 11788. Previous day's open int., Calls 230419 Puts 163787

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.05	113.81	-0.18	114.31	113.72	26748	62053
Sep	113.60	113.19	-0.16	113.60	113.18	311	1273

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11350	0.99	1.94	0.68	2.25
11400	0.71	1.71	0.90	2.52
11450	0.50	1.49	1.19	2.80

Est. vol. total, Calls 2245 Puts 1635. Previous day's open int., Calls 75848 Puts 55308

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.40	98.19	–0.02	98.71	98.10	65,930	80,808
Sep	98.00	97.67	+0.09	98.00	97.80	20	20

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-23	104-19	-	104-27	104-15	17523	122412
Sep	103-22	103-16	+0-01	103-22	103-15	274	491

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
104	1-01	0-59	1-17	1-31	0-27	1-27	1-49	1-62
105	0-31	0-36	0-56	1-08	0-57	2-04	2-24	2-35
106	0-12	0-20	0-37	0-46	1-38	2-52	3-05	3-14

Est. vol. total, Calls 4286 Puts 3272. Previous day's open int., Calls 41879 Puts 37920

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	90.80	90.56	–0.34	90.92	90.82	579	6,262

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107–08	107–01	–0–04	107–14	107–00	177,563	380,571
Sep	106–25	106–16	–0–03	106–26	106–15	4,381	33,021
Dec	106–07	105–31	–0–03	106–07	105–31	2,334	6,994

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	117.98	-	-	117.98	117.86	3150	0
Sep	116.76	-	-	116.78	116.68	1379	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tues May 7	Day's change %	Fri May 3	Accrued interest	xd adj. ytd		Low coupon yield May 7	May 3	Yr. ago	Medium coupon yield May 7	May 3	Yr. ago	High coupon yield May 7	May 3	Yr. ago
1 Up to 5 years (23)	121.44	+0.04	121.39	2.55	3.06	5 yrs	7.65	7.65	8.15	7.69	7.69	8.18	7.81	7.81	8.33
2 5-15 years (19)	144.15	–0.01	144.20	2.98	3.36	15 yrs	8.40	8.39	8.23	8.42	8.41	8.30	8.50	8.50	8.51
3 Over 15 years (9)	157.88	–0.02	157.91	3.52	3.48	20 yrs	8.47	8.46	8.25	8.47	8.46	8.30	8.54	8.54	8.47
4 Irredeemables (6)	180.81	–	180.81	4.91	1.47	Irred.†	8.61	8.61	8.38						
5 All stocks (57)	140.10	–	140.09	2.95	3.28										

Index-linked							Inflation 5% May 7	May 3	Yr. ago	Inflation 10% May 7	May 3	Yr. ago
6 Up to 5 years (1)	185.62	+0.03	185.55	0.27	4.43	Up to 5 yrs	2.67	2.67	3.19	1.31	1.31	1.76
7 Over 5 years (11)	185.46	–0.06	185.59	1.40	1.33	Over 5 yrs	3.80	3.79	3.87	3.60	3.59	3.48
8 All stocks (12)	185.56	–0.06	185.69	1.37	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield, ytd Year to date.

FT FIXED INTEREST INDICES

	May 7	May 3	May 2	May 1	Apr 30	Yr ago	High*	Low*
Govt. Secs. (UK)	91.59	91.57	92.05	92.47	92.57	92.36	96.34	91.59
Fixed Interest	111.48	111.46	112.63	112.72	112.78	111.26	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	May 3	May 2	May 1	Apr 30	Apr 29
Gilt Edged bargains	100.6	94.6	87.8	98.2	80.4
5-day average	92.3	91.7	95.8	100.9	108.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on May 7

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98	98¼	-⅛	7.25
ABN Amro Bank 7¼ 05	1000	98¼	99	-¼	7.58
African Dev Bk 7⅜ 23	500	93¼	94¼	-⅜	7.94
Sweden 8 97	2500	105⅞	105⅞		3.85
United Kingdom 7¼ 97	5500	104⅛	104⅞	-⅛	3.73
Volkswagen Intl Fin 7 03	1000	102½	102¾	-¼	6.61
World Bank 0 15	2000	29¾	30¼	-⅛	6.37
Abbey Natl Treasury 8 03 £	1000	97⅞	98		8.41
Alliance Leics 11⅜ 97 £	100	104½	104⅞		6.59
British Land 8⅞ 23 £	150	87	87½		10.57
Denmark 6¾ 98 £	900	99¼	99¾		7.15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Peseta and krona stable after interest rate cuts

By Graham Bowley

The Spanish peseta and the Swedish krona held firm on the foreign exchanges yesterday following cuts in key money market interest rates in both countries.

The D-Mark staged a small rally against the dollar after stronger than expected economic figures cooled speculation of further cuts in German interest rates.

The dollar's weakness was exacerbated by heavy losses in US government bond and equity markets fuelled by expectations of higher US interest rates.

The Australian dollar continued its recent rally although analysts said its rise may now be running out of steam.

The pound was stable ahead of today's monthly monetary meeting between the chancellor and the governor of the Bank of England. No change in interest rates is expected.

The dollar finished in London at Y104.995 from Y104.8 at the previous close. Against the D-Mark, it finished at DM1.5328, from DM1.526.

The D-Mark closed against the yen at Y69.03, up from Y68.68.

The peseta closed at Pta83.3 against the D-Mark, from Pta83.43. The Swedish krona ended at SKr4.485 against the D-Mark, from SKr4.48.

Sterling finished almost unchanged against the D-Mark at DM2.299. Against the dollar, it closed at $1.5113, from $1.507.

■ The Bank of Spain's latest 25 basis points cut in its key money market rate to 7.5 per cent was interpreted by many analysts as an endorsement of Spain's new government, which was sworn in at the weekend, ahead of an expected cost-cutting budget due later this week.

According to analysts at 4CAST, the financial analysis consultancy, the latest cut – along with Monday's reserves data which showed a large $4.4bn rise in April's balances – was "clearly an attempt by the authorities to use a combination of interest rates and intervention to stem peseta gains".

Analysts said this comes amid the suspicion that the authorities are targeting a central rate of Pta85.07 against the D-Mark in the European exchange rate mechanism.

The Swedish central bank reduced its repo rate by 20 basis points to 6.70 per cent, the tenth cut this year.

Analysts said the move indicated the Riksbank's lack of concern about the krona's recent appreciation. They said that scope for further interest rate cuts still remained.

The krona has appreciated strongly against the D-Mark in recent months, benefiting from speculation that Sweden might eventually be a member of a future European monetary union and from foreign investment flows into European high-yielding markets.

But Mr Kit Juckes, currency analyst at NatWest Markets in London, said the krona was now vulnerable to any revival in the D-Mark's fortunes.

■ The D-Mark yesterday took heart from stronger than expected industrial orders figures, which, following Monday's relatively good unemployment figures, added to speculation that the German economy may be growing more strongly than most economists had earlier thought.

This in turn eased expectations of further cuts in the German repo rate and other key official interest rates.

Mr Chris Turner, currency strategist at BZW in London, said: "This data is keeping talk of recovery going which is helping to stabilise the D-Mark."

But he said that interest rates would have to be eased in order to offset the tight fiscal stance Germany would need to adopt in order to satisfy the Maastricht criteria for Emu.

■ The pound put in another good performance. It now appears to have stabilised following last week's volatility surrounding the UK local elections.

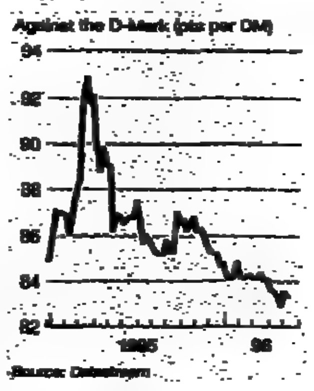
Attention in the UK is now turning to tomorrow's industrial production figures, which are expected to show further weakness in manufacturing.

Analysts at UBS in London believe the pound will come under pressure as investors begin to focus on the UK's poor manufacturing performance and the implications this has for the current account while import demand is strong.

They said the pound would reach a low against the D-Mark in November but that it would then recover following a victory for the opposition Labour party in the general election.

Peseta

Against the D-Mark (pta per DM)



Source: Datastream

■ **Pound in New York**

May 7	---Latest---	-- Prev. close --
£ spot	1.5115	1.5085
1 mth	1.5107	1.5076
3 mth	1.5095	1.5065
1 yr	1.5057	1.5025

■ **OTHER CURRENCIES**

May 7	£	$
Czech Rp	41.7402 - 41.7864	27.6230 - 27.6420
Hungary	222.752 - 222.948	147.430 - 147.480
Iran	4535.10 - 4532.70	3000.00 - 3000.00
Kuwait	0.4530 - 0.4535	0.2996 - 0.3000
Poland	4.0077 - 4.0113	2.6525 - 2.6535
Russia	7504.64 - 7513.15	4967.00 - 4970.00
U.A.E.	5.5492 - 5.5526	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1776	-0.0005	698 - 855	16.1999	16.1483	16.1466	2.3	16.0716	2.6	-	-	105.0
Belgium	(BFr)	47.2735	-0.008	307 - 162	47.3350	47.1820	47.1685	2.7	46.9585	2.7	45.9895	2.8	106.9
Denmark	(DKr)	8.8706	-0.0011	660 - 752	8.8886	8.8547	8.8552	2.1	8.8224	2.2	8.6791	2.2	107.9
Finland	(FM)	7.2534	-0.002	457 - 611	7.2720	7.2130	7.248	0.7	7.2409	0.7	-	-	81.4
France	(FFr)	7.7746	+0.0038	706 - 785	7.7855	7.7541	7.7605	2.2	7.7326	2.2	7.5997	2.2	109.4
Germany	(DM)	2.2982	-0.0006	961 - 002	2.3042	2.2943	2.2942	2.6	2.2858	2.7	2.2334	2.9	108.5
Greece	(Dr)	365.948	+0.183	759 - 134	366.753	365.302	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9657	+0.0003	648 - 666	0.9668	0.9643	0.9649	1.0	0.9636	0.9	0.9568	0.9	98.4
Italy	(L)	2352.53	+4.65	134 - 372	2354.47	2347.67	2360.78	-4.2	2375.88	-4.0	2428.58	-3.2	75.6
Luxembourg	(LFr)	47.2735	-0.008	307 - 162	47.3350	47.1820	47.1685	2.7	46.9585	2.7	46.0385	2.6	106.9
Netherlands	(Fl)	2.5695	+0.0013	684 - 706	2.5730	2.5633	2.5632	3.0	2.5505	3.0	2.4913	3.0	107.3
Norway	(NKr)	9.8976	+0.014	908 - 044	9.9122	9.8687	9.8886	1.1	9.8695	1.1	9.7738	1.3	98.6
Portugal	(Es)	236.254	-0.221	139 - 369	236.641	234.987	236.679	-2.2	237.584	-2.3	-	-	95.0
Spain	(Pta)	191.482	-0.296	356 - 608	191.930	191.325	191.792	-1.9	192.287	-1.7	193.842	-1.3	81.6
Sweden	(SKr)	10.3107	+0.0072	006 - 208	10.3276	10.2848	10.3119	-0.1	10.3136	-0.1	10.3156	0.0	86.1
Switzerland	(SFr)	1.8744	-0.0016	735 - 753	1.8782	1.8723	1.8682	4.0	1.8554	4.1	1.7977	4.1	112.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.9
Ecu	-	1.2246	-0.0005	239 - 252	1.2283	1.2231	1.2233	1.3	1.2203	1.4	1.2080	1.4	-
SDR†	-	1.03680	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5102	+0.0098	089 - 115	1.5118	1.5077	-	-	-	-	-	-	-
Brazil	(R$)	1.4999	+0.0052	993 - 004	1.5004	1.4964	-	-	-	-	-	-	-
Canada	(C$)	2.0851	+0.0076	842 - 860	2.0860	2.0581	2.0844	0.4	2.0808	0.8	2.0527	0.8	84.2
Mexico	(New Peso)	11.3612	+0.0195	544 - 680	11.3687	11.3257	-	-	-	-	-	-	-
USA	($)	1.5113	+0.0048	109 - 117	1.5120	1.5075	1.5105	0.6	1.5094	0.5	1.5058	0.4	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.8897	-0.0028	886 - 908	1.8952	1.8848	1.8922	-1.6	1.8973	-1.6	1.9225	-1.7	93.7
Hong Kong	(HK$)	11.6915	+0.0376	876 - 953	11.6981	11.6635	11.6834	0.8	11.6718	0.7	11.652	0.3	-
India	(Rs)	52.1399	+0.1656	994 - 804	52.3980	51.8910	-	-	-	-	-	-	-
Israel	(Shk)	4.9463	+0.0245	417 - 508	4.9723	4.9271	-	-	-	-	-	-	-
Japan	(Y)	158.679	+0.798	599 - 759	158.970	157.940	157.984	5.5	156.484	5.6	150.049	5.4	139.5
Malaysia	(M$)	3.7689	+0.0101	671 - 706	3.7710	3.7587	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.1930	+0.0008	916 - 944	2.1997	2.1911	2.196	-2.7	2.2075	-2.6	2.2413	-2.2	107.3
Philippines	(Peso)	39.5205	+0.1566	496 - 914	39.5914	39.4488	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6677	+0.018	659 - 695	5.6700	5.6537	-	-	-	-	-	-	-
Singapore	(S$)	2.1219	+0.0072	205 - 232	2.1233	2.1171	-	-	-	-	-	-	-
South Africa	(R)	6.6346	-0.0015	253 - 439	6.6440	6.6192	-	-	-	-	-	-	-
South Korea	(Won)	1176.17	+3.74	578 - 656	1176.64	1173.29	-	-	-	-	-	-	-
Taiwan	(T$)	41.0596	+0.1304	481 - 714	41.0780	40.9663	-	-	-	-	-	-	-
Thailand	(Bt)	38.1301	+0.0619	049 - 553	38.1580	38.0590	-	-	-	-	-	-	-

†Rates for May 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.7046	-0.0344	021 - 070	10.7530	10.7010	10.6851	2.2	10.6431	2.3	10.4596	2.3	104.7
Belgium	(BFr)	31.2800	-0.105	600 - 000	31.3820	31.2600	31.225	2.1	31.11	2.2	30.57	2.3	106.5
Denmark	(DKr)	5.8695	-0.0195	680 - 710	5.8884	5.8677	5.862	1.5	5.845	1.7	5.776	1.6	107.0
Finland	(FM)	4.7995	-0.0186	956 - 035	4.8161	4.7791	4.783	1.6	4.781	1.5	4.7355	1.3	80.6
France	(FFr)	5.1443	-0.0139	430 - 455	5.1565	5.1420	5.1374	1.6	5.1231	1.6	5.0553	1.7	108.8
Germany	(DM)	1.5213	-0.0053	210 - 216	1.5268	1.5207	1.5188	2.0	1.5131	2.2	1.4848	2.4	107.7
Greece	(Dr)	242.140	-0.65	080 - 200	242.970	242.040	243.815	-8.3	247.165	-8.3	261.14	-7.8	66.5
Ireland	(I£)	1.5650	+0.0045	640 - 660	1.5655	1.5612	1.5655	-0.4	1.5664	-0.4	1.5579	0.5	-
Italy	(L)	1556.63	-1.87	625 - 700	1559.67	1554.70	1562.68	-4.7	1574.23	-4.5	1615.13	-3.8	75.2
Luxembourg	(LFr)	31.2800	-0.105	600 - 000	31.3820	31.2600	31.227	2.0	31.1205	2.0	30.64	2.0	106.5
Netherlands	(Fl)	1.7002	-0.0045	999 - 005	1.7044	1.6988	1.6968	2.4	1.6897	2.5	1.656	2.6	106.7
Norway	(NKr)	6.5491	-0.0116	463 - 518	6.5632	6.5401	6.5461	0.5	6.5406	0.5	6.5041	0.7	97.8
Portugal	(Es)	156.325	-0.645	290 - 360	156.930	155.610	156.64	-2.4	157.23	-2.3	159.375	-2.0	94.9
Spain	(Pta)	126.700	-0.6	650 - 750	127.130	126.600	126.95	-2.4	127.38	-2.1	128.92	-1.8	81.0
Sweden	(SKr)	6.8224	-0.017	175 - 273	6.8424	6.8132	6.8335	-1.9	6.8509	-1.7	6.8929	-1.0	87.5
Switzerland	(SFr)	1.2403	-0.005	400 - 406	1.2443	1.2390	1.2368	3.4	1.2293	3.5	1.1958	3.6	111.2
UK	(£)	1.5113	+0.0048	109 - 117	1.5120	1.5075	1.5105	0.6	1.5094	0.5	1.5058	0.4	83.4
Ecu	-	1.2342	+0.0044	339 - 345	1.2346	1.2310	1.2349	-0.7	1.2366	-0.8	1.2454	-0.9	-
SDR†	-	0.66993	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	+0.0033	987 - 999	0.9999	0.9987	-	-	-	-	-	-	-
Brazil	(R$)	0.9924	+0.0002	923 - 925	0.9926	0.9923	-	-	-	-	-	-	-
Canada	(C$)	1.3665	+0.0007	662 - 667	1.3687	1.3639	1.3663	0.1	1.3665	0.0	1.3694	-0.2	83.6
Mexico	(New Peso)	7.5175	-0.011	150 - 200	7.5200	7.5140	7.679	-25.8	7.864 -18.4		9.6275	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2503	-0.0056	500 - 506	1.2534	1.2500	1.2523	-1.9	1.2559	-1.8	1.2745	-1.9	94.9
Hong Kong	(HK$)	7.7360	+0.0002	355 - 365	7.7369	7.7355	7.7367	-0.1	7.7385	-0.1	7.7655	-0.4	-
India	(Rs)	34.5000	-	500 - 500	34.6800	34.3500	34.65	-5.2	34.955	-5.3	36.425	-5.6	-
Israel	(Shk)	3.2729	+0.0059	707 - 750	3.2977	3.2664	-	-	-	-	-	-	-
Japan	(Y)	104.995	+0.195	970 - 020	105.220	104.780	104.55	5.1	103.65	5.1	99.91	4.8	140.2
Malaysia	(M$)	2.4938	-0.0012	933 - 943	2.4949	2.4900	2.4947	-0.4	2.5008	-1.1	2.5243	-1.2	-
New Zealand	(NZ$)	1.4510	-0.0044	505 - 516	1.4546	1.4500	1.4541	-2.6	1.4600	-2.5	1.4845	-2.3	-
Philippines	(Peso)	26.1500	+0.02	100 - 900	26.1900	26.1100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7502	-	500 - 504	3.7504	3.7500	3.7508	-0.1	3.7513	-0.1	3.7547	-0.1	-
Singapore	(S$)	1.4040	+0.0003	035 - 045	1.4045	1.4036	1.4004	3.0	1.3944	2.7	1.369	2.5	-
South Africa	(R)	4.3900	-0.015	850 - 950	4.4000	4.3850	4.4187	-7.9	4.4703	-7.3	4.6935	-6.9	-
South Korea	(Won)	778.250	-	200 - 300	778.400	778.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.1655	-	650 - 660	27.1780	27.1670	27.1855	-0.9	27.2265	-0.9	-	-	-
Thailand	(Bt)	25.2300	-0.025	200 - 400	25.2550	25.2200	25.3257	-4.7	25.5325	-4.8	26.415	-4.7	-

† SDR rate per $ for May 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 6: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

May 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3¼	3¼	3¼	3⅛	7.00	2.50	-
week ago	3⅜	3¼	3¼	3¼	3¼	7.00	2.50	-
France	3⅞	3¾	3⅞	3⅞	4	3.70	-	5.60
week ago	3⅞	3¾	3⅞	3⅞	3⅞	3.70	-	5.60
Germany	3¼	3¼	3⅜	3⅜	3⅜	4.50	2.50	3.30
week ago	3¼	3¼	3⅜	3⅜	3½	4.50	2.50	3.30
Ireland	5	5⅛	5⅛	5⅜	5⅝	-	-	6.25
week ago	5	5⅛	4⅞	5⅛	5⅜	-	-	6.25
Italy	8¾	8⅞	8⅞	8⅞	8½	-	9.00	9.32
week ago	8⅞	8⅞	8¾	8⅞	8⅞	-	9.00	9.32
Netherlands	2⅞	2⅞	2⅞	2⅞	2⅞	-	3.00	3.30
week ago	2¾	2⅞	2⅞	2⅞	2⅞	-	3.00	3.30
Switzerland	2⅛	2	1⅞	1⅞	2⅛	5.00	1.50	-
week ago	2¼	2	1¾	1¾	1⅞	5.00	1.50	-
US	5¼	5⅜	5⅜	5⅜	6¼	-	5.00	-
week ago	5⅛	5⅜	5⅜	5½	5⅞	-	5.00	-
Japan	½	½	½	⅝	1⅛	-	0.50	-
week ago	½	½	½	⅝	1⅛	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5½	5⅝	5⅞	-	-	-
week ago	-	5⅜	5⅜	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.14	5.18	5.31	5.69	-	-	-
week ago	-	5.14	5.12	5.24	5.55	-	-	-
ECU Linked Ds	-	4⅜	4¼	4¼	4⅜	-	-	-
week ago	-	4⅜	4⅜	4⅜	4¼	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅞	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅛	3½ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½
Danish Krone	3½ - 3⅛	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	4⅛ - 3⅞
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3¼ - 3⅛	3⅝ - 3½
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2¾
French Franc	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞
Portuguese Esc.	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛	7⅜ - 7⅛
Spanish Peseta	8 - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅛	7⅞ - 7⅝
Sterling	6⅛ - 6⅛	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅛ - 6⅛	6⅝ - 6⅜
Swiss Franc	2⅛ - 2⅛	2⅛ - 2	2 - 1⅞	2 - 1⅞	2 - 1⅞	2⅛ - 2
Can. Dollar	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 4⅞	5⅝ - 5⅜
US Dollar	5⅜ - 5⅛	5⅜ - 5⅛	5⅜ - 5⅜	5⅜ - 5⅜	5⅝ - 5⅜	5⅞ - 5¾
Italian Lira	9⅛ - 8⅞	9⅛ - 9	9⅛ - 8⅞	9⅛ - 8⅞	8⅞ - 8⅝	8⅞ - 8⅝
Yen	⅝ - ½	⅝ - ½	⅝ - ½	⅝ - ½	⅞ - ⅝	1⅛ - 1
Asian $Sing	3 - 2⅞	2⅞ - 2½	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2⅝	2⅞ - 2½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.09	96.10	+0.04	96.13	96.06	16,305	54,544
Sep	96.07	96.10	+0.04	96.13	96.07	8,417	52,089
Dec	95.87	95.91	+0.05	95.93	95.87	3,354	30,604

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.82	96.78	-0.02	96.82	96.78	17723	205737
Sep	96.82	96.81	+0.01	96.83	96.80	19862	240558
Dec	96.59	96.59	+0.02	96.62	96.57	24620	203818
Mar	96.23	96.23	-0.02	96.26	96.21	17256	142259

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.33	91.33	+0.01	91.37	91.31	8069	52516
Sep	91.87	91.87	+0.01	91.91	91.86	4012	32951
Dec	92.01	92.01	+0.01	92.06	92.00	2122	22512
Mar	92.00	91.98	-0.01	92.05	91.96	618	5563

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.12	98.06	-0.06	98.12	98.04	4530	25562
Sep	98.01	97.99	-0.06	98.02	97.97	4044	17584
Dec	97.75	97.72	-0.05	97.75	97.70	665	11695
Mar	97.39	97.39	-0.04	97.40	97.38	186	4593

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.11	-	-	-	0	na
Sep	98.77	98.77	-	98.77	98.77	250	na
Dec	98.44	98.44	-	98.44	98.44	300	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.77	95.76	+0.02	95.77	95.75	918	9919
Sep	95.78	95.78	+0.03	95.78	95.76	381	4746
Dec	95.59	95.60	+0.03	95.61	95.58	277	3418
Mar	95.34	95.33	+0.03	95.34	95.32	88	2146

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.77	16.45	4.864	2.044	4976	5.437	20.94	499.9	405.1	21.81	3.954	2.116	4.369	3.197	336.7	2.591
Denmark	(DKr)	53.29	10	8.765	2.592	1.089	2651	2.897	11.16	266.4	215.9	11.62	2.113	1.127	2.326	1.706	178.9	1.381
France	(FFr)	60.80	11.41	10	2.957	1.242	3025	3.305	12.73	303.9	246.3	13.26	2.410	1.286	2.656	1.946	204.1	1.576
Germany	(DM)	20.56	3.859	3.382	1	0.420	1023	1.118	4.305	102.8	83.30	4.485	0.815	0.435	0.898	0.657	69.03	0.533
Ireland	(I£)	48.93	9.186	8.049	2.380	1	2435	2.660	10.25	244.8	198.2	10.67	1.940	1.035	2.138	1.564	164.3	1.268
Italy	(L)	2.010	0.377	0.331	0.098	0.041	100.	0.109	0.421	10.06	8.142	0.438	0.080	0.043	0.088	0.064	6.747	0.052
Netherlands	(Fl)	18.39	3.452	3.026	0.895	0.376	915.2	1	3.851	91.95	74.51	4.012	0.729	0.389	0.804	0.588	61.75	0.477
Norway	(NKr)	47.76	8.962	7.855	2.323	0.976	2376	2.596	10	238.7	193.5	10.42	1.893	1.010	2.086	1.527	160.3	1.238
Portugal	(Es)	20.00	3.754	3.290	0.973	0.409	995.3	1.088	4.189	100.	81.04	4.363	0.793	0.423	0.874	0.639	67.16	0.518
Spain	(Pta)	24.68	4.632	4.060	1.201	0.504	1228	1.342	5.169	123.4	100.	5.384	0.979	0.522	1.078	0.789	82.87	0.640
Sweden	(SKr)	45.85	8.604	7.541	2.230	0.937	2281	2.493	9.600	229.2	185.7	10	1.818	0.970	2.003	1.466	153.9	1.188
Switzerland	(SFr)	25.22	4.734	4.149	1.227	0.515	1255	1.371	5.282	126.1	102.2	5.502	1	0.534	1.102	0.806	84.69	0.654
UK	(£)	47.27	8.871	7.775	2.299	0.966	2352	2.570	9.898	236.3	191.5	10.31	1.874	1	2.065	1.511	158.7	1.225
Canada	(C$)	22.89	4.296	3.765	1.113	0.468	1139	1.245	4.793	114.4	92.74	4.993	0.908	0.484	1	0.732	76.85	0.593
US	($)	31.28	5.871	5.146	1.522	0.639	1557	1.701	6.551	156.4	126.7	6.823	1.240	0.662	1.367	1	105.0	0.811
Japan	(Y)	29.79	5.590	4.899	1.449	0.609	1482	1.619	6.237	148.9	120.7	6.497	1.181	0.630	1.301	0.952	100.	0.772
Ecu		38.59	7.242	6.347	1.877	0.789	1920	2.098	8.080	192.9	156.3	8.418	1.530	0.816	1.686	1.233	129.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6567	0.6581	+0.0009	0.6587	0.6562	14,762	84,580
Sep	0.6611	0.6622	+0.0012	0.6622	0.6611	140	4,026
Dec	-	0.6652	-	-	-	3	668

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9591	0.9584	-0.0005	0.9595	0.9557	15,071	64,078
Sep	0.9702	0.9683	-0.0019	0.9702	0.9683	88	2,750
Dec	-	0.9814	-	-	-	91	1,789

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8070	0.8085	+0.0014	0.8089	0.8067	10,142	43,882
Sep	-	0.8152	+0.0008	0.8152	-	12	1,886
Dec	0.8218	0.8225	+0.0008	0.8226	0.8218	7	718

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5084	1.5080	-0.0002	1.5110	1.5084	26,217	83,670
Sep	1.5102	1.5070	-	1.5102	1.5070	32	341
Dec	-	1.5060	+0.0022	1.5060	-	1	24

UK INTEREST RATES

LONDON MONEY RATES

May 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 5	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6	6⅛ - 6	6⅜ - 6⅛
Sterling CDs	-	-	6⅛ - 5⅞	6⅛ - 5⅞	6⅛ - 6	6⅜ - 6⅛
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5¾	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅞	6 - 5⅞	6 - 5⅞	6⅛ - 6⅛	6⅜ - 6⅛
Discount Market deps	6¼ - 5⅞	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on May 3, 5.8172pc. ECGD fixed rate Stg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.076pc. Finance House Base Rate 6.5pc from May 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.04	94.03	-0.01	94.05	94.02	7927	79197
Sep	93.87	93.89	+0.02	93.90	93.86	7625	80653
Dec	93.53	93.54	+0.02	93.57	93.52	7696	80089
Mar	93.04	93.06	+0.02	93.06	93.03	4753	49053
Jun	92.60	92.62	+0.01	92.64	92.60	1924	38711

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9400	0.09	0.12	0.14	0.06	0.23	0.60
9425	0.01	0.05	0.08	0.23	0.41	0.79
9450	0	0.02	0.04	0.47	0.63	1.00

Est. vol. total, Calls 5656 Puts 700. Previous day's open int., Calls 137008 Puts 121065

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00	● Members of London Investment Banking Association	
Bnl Bk of Mid East	6.00	Hongkong & Shanghai	6.00	* In administration	
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

EMS EUROPEAN CURRENCY UNIT RATES

May 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.003	-0.278	-2.15	3.36	15
Netherlands	2.15214	2.13373	+0.00222	-0.86	2.01	6
Belgium	39.3960	39.2496	+0.0055	-0.37	1.52	3
Austria	13.4383	13.4372	+0.0329	-0.01	1.15	0
Portugal	195.792	196.143	-0.245	0.18	0.96	-1
Germany	1.91007	1.90958	+0.00041	-0.03	1.17	0
France	6.40608	6.45377	-0.00047	0.74	0.39	-6
Denmark	7.28580	7.36651	+0.00365	1.11	0.03	-8
Ireland	0.792214	0.801246	-0.000286	1.14	0.00	-8
NON ERM MEMBERS						
Greece	292.867	304.006	-0.196	3.80	-2.57	-
Italy	2106.15	1951.72	-0.06	-7.33	8.14	-
UK	0.786652	0.829537	-0.000479	5.45	-4.08	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.480	2.81	2.99	3.27	0.03	0.37	0.53
1.490	1.86	2.25	2.55	0.05	0.41	0.82
1.500	0.95	1.57	1.98	0.13	0.73	1.18
1.510	0.28	1.02	1.45	0.50	1.18	1.66
1.520	0.01	0.62	1.03	1.10	1.75	2.24

Previous day's vol., Calls 988 Puts 3,132 . Prev. day's open int., Calls 172,044 Puts 179,747

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.47	94.48	+0.01	94.49	94.47	20,679	370,524
Sep	94.21	94.20	-	94.23	94.19	21,882	349,658
Dec	93.90	93.88	-	93.92	93.87	51,050	344,356

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.97	94.97	+0.01	94.97	94.96	125	8,915
Sep	94.71	94.71	+0.02	94.71	94.70	56	5,279
Dec	94.45	94.44	-0.01	94.46	94.44	60	985

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.04	0.07	0.14	0.18	0.01	0.04	0.08	0.12
9700	0	0.01	0.04	0.07	0.22	0.23	0.23	0.26
9725	0	0	0.01	0.02	0.47	0.47	0.45	0.46

Est. vol. total, Calls 7045 Puts 8080. Previous day's open int., Calls 349999 Puts 369021

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.02	0.06	0.08	0.21	0.32	0.61
9850	0.01	0.03	0.03	0.45	0.54	0.81

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9125	0.22	0.73	0.95	0.14	0.11	0.18
9150	0.10	0.56	0.77	0.27	0.18	0.26
9175	0.03	0.36	0.60	0.47	0.28	0.34

Est. vol. total, Calls 1240 Puts 2585. Previous day's open int., Calls 34765 Puts 19853

CONTRACTS & TENDERS

NOTICE OF AUCTION

Bankruptcy no. 54971 Srl "IMAC", Bankruptcy Court of Rome. At 12.30 pm on 13.6.96 the Official Receiver Dott. Maselli is to sell by auction, in a single lot with base price Lit. 23,300,000,000 leading Italian company, still in business, producer of polimglass roofing panels and accessories (machinery, commercial activity etc.); provisional carrying on of business 30.6.96, with 29 employees plus 8 in C.I.G.S. (redundancy); CTU (technical) reports of 19.9.94, 6.12.95. Written offers (according to articles 4 and 5 of the sale procedure) with bank draft made out to Fall.54971 deposit and expenses 30% of base price by 1pm on the day prior to the hearing, minimum bid Lit. 200,000,000, the first of which obligatory; total of deposit and expenses to be paid 48 hours after adjudication, balance 60 days after adjudication, same payment methods. Information from receiver, +39/6/35403222, or the company, +39/6/66417145, Messrs. Bon, Urzia, Sarra. Official report from the Chancery. Company visits to be arranged 15 days prior to the auction.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, MERCHANT

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
[illegible]								

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
r Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1256, Hamilton, Bermuda 001 809 292 2760

Newport Investment Management
73 Front Street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11 Bermuda 441 292 6370

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 348, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 258, St Peter Port, Guernsey 01481 710951

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Castle Management (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consulta (Channel Islands) Limited

Dentrust Management (Guernsey) Ltd

LGT Asset Management Ltd
(44) 171 710 4567 London (852) 842 7200 Hong Kong

Daiwa Europe Fund Mgrs Ireland Ltd

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

F.I.T. Investment Trust Ltd

Falcon Market Fund Plc

Frank Russell Investments (Ireland) Ltd

GAM Fund Management

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Fidelity Funds - Contd.

Fleming Group (u)

Sarasin Investment SICAV (u)

LUXEMBOURG (REGULATED)(**)

Asian International Umbrella Fund (u)

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Credit Investment Funds - Contd.

Morgan Stanley Sicav

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Albany International Assurance Ltd - Contd.

Allied Dunbar International Assce Ltd (z)

Professional Investment Consultants

Royal Life International

CA Securities Investment Fund Mngt Ltd

CB Asset Management

CDC International

CIBC Fund Managers (Bermuda) Limited

Cacaco Investment Management Ltd

Capital International

Castrey Investment Fund Limited

Chesterton Funds Limited

Global Asset Management - Contd.

The MC Omaha Fund LP

MD Sass Re/Enterprise International Ltd

MFS Meridian Funds

McKinnis Global Fund Ltd

Magellan Emerging Mkts Mngt (Jersey) Ltd

Magnum Funds

Regent Kingpin Capital Management Ltd

Regis Asset Management

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Franklin Fund Management Co

NAV (Fully Paid) Apr 30 | $10.36

The Vietnam Fund Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

NAV Fully Paid Apr 30 | $11.30

Wells Fargo U.S. IT Fund

Worldwide Limited

NAV Mar 31 | $79.43

Xiphias International Investment Fd Ltd

Zenati Lombardier Ltd

NAV Apr 1 | $179.41

Zuland Investment Management AG

Zuland Europe Ltd NAV May 3 | DM104.024

Zweig-DiMenna International Limited

NAV Apr 30 | $14677

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(☆) - 0001 to 1100 hours
(●) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
k - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
φ - Yield column shows annualised rates of NAV increase.

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LONDON STOCK EXCHANGE

MARKET REPORT

Shares on the slide despite latest takeover talk

By Steve Thompson,
UK Stock Market Editor

A burst of fresh bid speculation, focused mainly on Lucas, Pearson and a handful of smaller stocks, promoted a brief renewal of the "feel-good factor" in the UK market. The £1.73bn bid for Midlands Electricity from two US utilities had been discounted by investors.

But any comfortable feelings were erased by another dismal showing on Wall Street, where the Dow Jones Industrial Average fell more than 30 points in early trading.

The Dow took its lead from a poor performance by Treasury bonds, which came under sustained selling pressure ahead of a series of US bond auctions, starting yesterday with $19bn worth of three-year bonds and continuing with auctions of 10-year and 30-year notes.

UK gilts were unsettled, but not too dismayed, by the prospect of a sell-off in US bonds; the 10-year gilt ended the session unchanged, having relinquished an earlier gain of around four to five ticks.

By the close the FT-SE 100 index was left nursing a 28.6 fall at 3,723.0, with dealers pointing out that much of the damage to the leading index was caused by losses in a few heavily weighted stocks, including BP, British Gas, Glaxo and the two insurance companies, Royal and Sun Alliance, that announced their big £5.4bn merger last Friday.

There was much better news for investors in the second liners, where the FT-SE Mid 250 index shrugged off the US-inspired worries of the leaders and responded instead to a renewed burst of takeover speculation. The Mid 250 settled a net 10.2 ahead at 4,525.5.

Senior dealers at a number of leading broking houses expressed concern about the UK market's short term prospects and were particularly worried about US bonds.

The head trader at a big European owned securities house said the market felt vulnerable and noted that some strategists had started to shave end-year Footsie forecasts to accommodate the perceived growing political uncertainty and worries about bond markets.

Another said most marketmakers were long of stock and were increasingly unhappy with Wall Street. "London feels heavy again and there are plenty of traders around who see the Footsie having the potential to drop back to 3,600 in the short term."

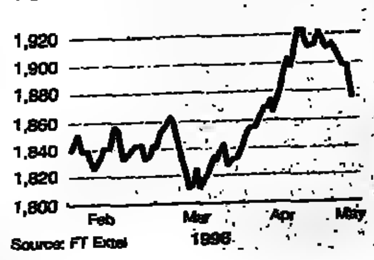
There were plenty of bullish stories in the market, however. Lucas, the motor components group, shot forward to top the FT-SE Mid 250 performance league after the company announced that it was involved in discussions with Varity, of the US, about potential links.

Pearson was another stock to attract takeover speculation, as were a handful of the second liners and smaller stocks. BP's big fall was attributed to Wall Street's weakness, rather than to the first-quarter figures which most analysts said were in line with forecasts.

Turnover at the 6pm reading was a reasonable 694.3m shares, but was heavily weighted in favour of non-Footsie issues, which accounted for more than 60 per cent.

The value of customer, or retail, business last Friday reached £2.5bn, the highest for some weeks, and was said to have been boosted by a number of programme trades.

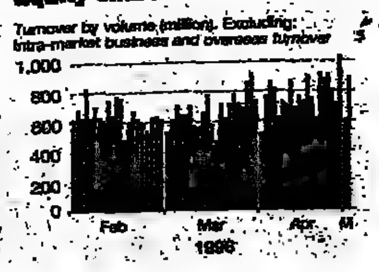
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3723.0	-28.6
FT-SE Mid 250	4525.5	+10.2
FT-SE-A 350	1892.0	-10.2
FT-SE-A All-Share	1877.91	-9.31
FT-SE-A All-Share yield	3.76	3.74
FT Ordinary index	2796.4	-7.1
FT-SE-A Non Fins p/e	17.22	17.29
FT-SE100 Fut Jun	3725.00	-15.00
10 yr Gilt yield	8.24	8.23
Long gilt/equity yld ratio:	2.27	2.28

Best performing sectors
1 Engineering: Vehicles ......+2.7
2 Extractive Industries ......+1.1
3 Property ......+0.9
4 Household Goods ......+0.4
5 Transport ......+0.3

Worst performing sectors
1 Gas Distribution ......-5.6
2 Tobacco ......-2.1
3 Insurance ......-1.8
4 Oil: Integrated ......-1.7
5 Pharmaceuticals ......-1.2

Bid talk revives Pearson

Speculation appears to be gathering that something *could be about to happen at Pearson.*

Shares in the media conglomerate, which owns the Financial Times, were the best performers in the Footsie, in spite of last week's profits warning.

In a review of the sector, NatWest Securities has voiced opinions, quietly shared by others in the City, that the group is vulnerable to a bid.

NatWest's media team has suggested Pearson would make a feasible target for Granada. It said: "Given Pearson's poor management track record, shareholders would welcome [Granada] with open arms."

Takeover talk has been washing over Pearson for about six months. But last Friday the company disappointed investors with a warning that its Mindscape software publishing group would make heavy losses this year. Pearson shares rose 11 *to* 688p.

Lucas surges

Takeover talk resurfaced at Lucas Industries, driving the shares up more than 12 per cent to an all-time high.

News that Lucas is in exploratory talks with Varity, of the US, was widely interpreted by traders as a defensive move aimed at heading off a full-scale bid. "Lucas has been one of the longest running takeover stories in the history of the City. Large sections of the *market see a link with Varity* as a poison pill," said one top sector watcher.

"A brakes joint venture with *Varity could add as much as* £1bn to Lucas's £2bn stock market capitalisation. If anyone has Lucas in its sights, *now could be the time to move,*" said BZW analyst Mr Nick Cunningham.

The Varity talks are the latest indication of consolidation within the motor components industry. It coincided yesterday with news of strong new UK car sales for April.

However, Lucas closed substantially off its best of the day. The shares finished 25¼ up at 233¾p in 16m traded, a two-year volume high. The intra-day best was 242p.

Sainsbury dips

Nervous selling of J. Sainsbury ahead of today's final figures saw the shares relinquish 5 to 357p in trade of 3m.

Few expect the group to report anything other than its first fall in underlying profits for 22 years and one analyst commented: "We all know profits are going to be down, but what people are going to be looking for is a statement on future strategy."

Elsewhere, Kleinwort Benson has turned more positive on the food retailing sector, moving its recommendation from "underweight" to "neutral". The broker also upgraded its recommendation on Argyll Group from "hold" to "buy". Shares in the group responded by gaining 5 at 328p.

Asda Group, also favoured by Kleinwort, firmed ¾ to 113¾p. A squeeze left Kwik Save 11 better at 446p.

As another regional electricity group bit the dust, analysts were adjusting valuations for the remaining five independents.

According to one dealer, the duck shoot had begun to lose its appeal. The small rise in the price of Midlands Electricity, following news of an agreed £1.73bn bid by General Public Utilities and CINergy Corp, of the US, showed that the takeover was possibly the worst kept secret in the market. The shares put on 10 at 433p on turnover of 58m.

Analysts said that on an exit multiple of 12 times earnings the Midlands bid suggested Yorkshire Electricity was at a 12 per cent discount to its takeout price, East Midland at 16 per cent, Southern at 5 per cent and Northern, which has already fought off an approach from Trafalgar House, at a 25 per cent discount. The only group seen to be up with *events is London. Yorkshire* improved 6 to 829p, East Midlands 8 to 635p, Southern 5 to 844p and London 7 to 826p.

Leisure giant Granada resisted the market trend and rose 11 to 816p in turnover of 2.2m after NatWest Securities issued a positive note and upgraded profits expectations.

In a "spread sheet analysis" note, NatWest suggested investors should remain positive on the group's shares because "the trading environment, news flow, valuation and strategic options all point to further outperformance."

The securities house upgraded its current year profits forecast by £10m, to £450m, to reflect its confidence about previous hotel and television projections.

Profit-taking was blamed for a sharp retreat in Manchester United, the football club which won the UK premier league championship on Sunday. The *shares fell 17 to 356p.*

The poor market trend saw Rank Organisation reverse an earlier gain that followed a recommendation from SBC Warburg. It closed a penny off at 533p.

UK sweeteners group Tate & Lyle receded 8 to 476p after Strauss Turnbull reiterated its "sell" stance ahead of today's final figures. Analysts at Strauss said: "The result is likely to confirm the difficult trading conditions at Staley (the group's US sweeteners business)." They suggested profits will be around £160.5m, down from last year's pre-exceptionals figure of £165.4m. NatWest Securities is expecting profits of £158m.

Harry Ramsden's, the fish and chip chain, jumped a further 53 to 437p, tempting speculation about a bid.

The company said it had not had any approaches from a prospective buyer, but it has issued a series of section 212s to shareholders. The shares stood at 250p in mid-January and 330p at the start of May.

British Airways jumped to fifth place in the Footsie rankings, thanks to talk that the group was working on a marketing link with a major US airline. BA has a 25 per cent stake in USAir and recently forged code sharing links with America West Airlines. The stock closed 6 higher at 527p in 4.8m traded.

Great Universal Stores slipped 8 to 688p, with more than 6m shares traded, in the wake of last week's trading statement. Kleinwort Benson reiterated its "sell" stance, while UBS issued a "sell" note.

Next firmed 3 to 540p, with analysts stating that it was a prime candidate to be upgraded to the FT-SE 100 index. Index-tracking funds were said to be buyers.

Media reports alleging that Harvey Nichols unexpectedly increased rents of concession holders before its recent flotation resulted in it retreating 8 to 308p.

Zeneca, the pharmaceuticals company, moved up 7 to 1367p. Roche, of Switzerland, which has been linked to Zeneca in the past, is this week holding research and development presentations.

Glaxo Wellcome lost 21 at 779p on vague patent expiry concerns. And British Biotech, the sector's wonder stock, leapt another 77p to break through the £30 a share barrier and close at 3025p.

HSBC dropped 19 to 948p as Kleinwort Benson reiterated its sell stance.

MAID, the on-line information group, jumped 28 to 245p on news that Forte has appointed it to supply on-line business intelligence services to its hotels worldwide.

MARKET REPORTERS:
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FINANCIAL TIMES EQUITY INDICES

	May 7	May 3	May 2	May 1	Apr 30	Yr ago	*High	*Low
Ordinary Share	2796.4	2803.5	2809.7	2831.3	2838.8	2475.0	2885.2	2698.7
Ord. div. yield	3.98	3.97	3.95	3.92	3.91	4.27	4.08	3.78
P/E ratio net	16.41	16.47	16.53	16.67	16.71	16.46	17.28	15.98
P/E ratio nil	16.18	16.24	16.31	16.44	16.48	16.28	17.03	15.78

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2803.9	2800.1	2802.8	2810.3	2816.1	2814.3	2810.3	2794.1	2796.8	2819.3	2793.9

	May 7	May 3	May 2	May 1	Apr 30	Yr ago
SEAQ bargains	38,944	35,237	32,540	31,302	31,851	21,444
Equity turnover (£m)†	-	2503.8	2439.7	1622.0	2224.5	1021.0
Equity bargains†	-	42,213	37,138	38,300	40,148	32,142
Shares traded (mil)†	-	794.4	898.0	605.1	1010.2	608.7

†Excluding intra-market business and overseas turnover.

	May 7	May 3	May 2	May 1	Apr 30	Yr ago	*High	*Low
FT-SE AIM	1076.00	1067.90	1062.30	1066.00	1065.10	-	1076.00	968.68

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	542	Total Highs	129	Total contracts	42,352
Total Falls	716	Total Lows	19	Calls	19,484
Same	1,489			Puts	22,868

May 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3738.0	3725.0	-15.0	3754.0	3712.0	13699	57852
Sep	3734.0	3740.0	-15.0	3741.0	3734.0	51	5719
Dec	3787.0	3770.0	-14.0	3790.0	3787.0	59	226

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4531.0	+10.0	-	-	0	4141

■ FT-SE 100 INDEX OPTION (LIFFE) (*3723) £10 per full index point

	3550		3600		3650		3700		3750		3800		3850		3900	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
May	173	2	128½	4½	81½	9	43½	21½	18	47	4½	86	1	135	1	185
Jun	198½	15½	147½	21½	110	34½	77	53	50	77½	29	107	16	145½	7	[illegible]
Jul	208	27½	171	40	134½	53½	104	73	78½	95½	53½	123½	36	158	22	[illegible]
Aug	224½	41½	189½	52½	152½	68	121	86	93	109	69½	136½	50	169½	33½	204½
Dec†			254½	95½			199½	132½			144½	183			101½	242½

Calls 6,690 Puts 4,949

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525		3575		3625		3675		3725		3775		3825		3875	
May	197	1	148	2½	102	6	61½	15	29	32½	10½	64	3	106	1	153½
Jun	213	14½	169½	21	129½	30½	92	42½	61	61	39	86	22	121½	12	161
Jul	224	19	184½	28	147½	41	116	57½	88½	78½	62½	104	43½	134½	29	169½
Sep	257	45½			185½	73½			125½	110½			78½	161½		
Dec†	309½	73½			245	105½			187½	144			135½	188½		

Calls 2,413 Puts 1,981 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	18.8	95	94	AIM Distrbn	94		b4.5	-	6.0	-
-	F.P.	22.0	138	120	†Active Imaging	120		-	-	-	-
-	F.P.	13.2	1050	850	Cairngorm Units	925		-	-	-	-
-	F.P.	0.64	250	25	Cairngorm Wts	225		-	-	-	-
100	F.P.	8.50	96	95	Capital Co's VCT	95		-	-	-	-
88	F.P.	11.8	98	73	Cardcast	73	-5	W0.8	9.2	0.9	15.9
-	F.P.	7.84	39	39	†FNR	39		-	-	-	-
270-	F.P.	169.4	340	307½	Harvey Nichols	308	-8	b4.2	2.5	1.7	29.2
-	F.P.	49.8	250	233	MSB Int'l	244	+10	L4.0	3.0	2.0	20.3
278	F.P.	461.4	332	270	Mill & Copthorne	318		4.7	-	1.8	-
178	F.P.	88.0	184	173	Phytopharm	178		-	-	-	-
-	F.P.	5.55	22	18½	Perp Inc Wnts	19		-	-	-	-
-	F.P.	3.93	78	63	†Romtec	76		-	-	-	-
-	F.P.	-	98	98	Singer & Fdr AIM	98		-	-	-	-
-	F.P.	-	11	9	Singer & F Wts	11	+2	-	-	-	-
-	F.P.	7.84	4	3½	†Sira Bus Serv	4		-	-	-	-
-	F.P.	0.29	1½	1½	†Sira Bus Svs Wts	1½		-	-	-	-
-	F.P.	8.55	95	78	†Stentor	93	+7	-	-	-	-
-	F.P.	1.82	26½	10¼	Templeton C&E	26		-	-	-	-
-	F.P.	38.8	185	180	†Tradepoint Fincl	185		-	-	-	-
45	F.P.	13.4	57	52	†Waterfall	52		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	May 6	% chg on day	May 3	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2334.82	+1.7	2296.61	1940.87	1.32	-	2620.73	1722.93
■ Regional Indices								
Africa (13)	3060.30	-1.7	3113.58	2703.50	2.34	37.28	3653.86	2272.74
Australasia (6)	2755.58	-1.4	2795.85	2470.66	2.39	20.40	2927.34	2098.51
North America (12)	2071.20	+3.6	1994.75	1847.46	0.67	67.00	2165.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	May 7	Day's chge%	May 3	May 2	May 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3723.0	-0.8	3751.6	3776.4	3806.0	3261.2	3.99	2.14	14.67	69.23	1515.21
FT-SE Mid 250	4525.5	+0.2	4515.3	4537.7	4540.1	3563.5	3.30	1.75	21.56	77.48	1811.52
FT-SE Mid 250 ex Inv Trusts	4567.5	+0.3	4555.7	4578.8	4577.8	3567.5	3.40	1.80	20.35	82.46	1831.42
FT-SE-A 350	1892.0	-0.5	1902.2	1914.1	1925.9	1618.9	3.63	2.06	15.92	34.35	1674.96
FT-SE-A 350 Higher Yield	1819.0	-0.8	1834.6	1838.7	1851.3	1632.0	4.10	1.90	12.69	42.83	1268.47
FT-SE-A 350 Lower Yield	1971.4	-0.3	1977.3	1998.9	2008.1	1605.9	2.68	2.34	19.96	26.87	1560.23
FT-SE SmallCap	2225.05	....	2224.05	2232.39	2231.70	1810.02	2.92	1.77	24.18	24.17	1819.64
FT-SE SmallCap ex Inv Trusts	2220.76	+0.1	2219.40	2225.79	2223.94	1787.49	3.08	1.88	21.79	25.34	1827.07
FT-SE-A ALL-SHARE	1877.91	-0.5	1887.22	1898.63	1909.39	1600.25	3.76	2.04	16.27	33.17	1587.58

■ FT-SE Actuaries All-Share

	May 7	Day's chge%	May 3	May 2	May 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3437.53	-1.1	3476.50	3481.78	3513.34	2868.92	3.79	1.80	18.33	86.56	1475.88
12 Extractive Industries(6)	4768.29	+1.1	4717.65	4696.65	4670.13	3724.80	3.39	2.50	14.76	109.19	1403.16
15 Oil, Integrated(3)	3403.67	-1.7	3461.49	3469.51	3514.18	2896.83	4.08	1.88	16.30	65.59	1497.14
16 Oil Exploration & Prod(15)	2458.74	-0.5	2470.02	2482.85	2491.67	2104.53	2.13	1.58	37.06	32.08	1479.13
20 GEN INDUSTRIALS(275)	2134.91	-0.2	2139.60	2153.96	2158.62	1917.37	3.97	1.88	16.70	33.74	1164.94
21 Building & Construction(34)	1245.76	+0.2	1243.01	1251.05	1250.34	972.25	3.31	1.80	21.01	18.04	1042.56
22 Building Matls & Merchs(29)	1968.06	-0.4	1976.09	2003.07	2000.24	1763.91	3.86	1.71	18.93	36.36	985.45
23 Chemicals(25)	2525.43	-0.6	2541.77	2541.17	2569.87	2326.52	3.92	1.94	16.47	37.65	1193.65
24 Diversified Industrials(19)	1784.67	-0.5	1794.45	1800.82	1809.54	1864.08	5.78	1.68	12.86	44.78	1000.56
25 Electronic & Elect Equip(37)	2408.74	+0.3	2402.46	2423.22	2433.89	1995.77	3.04	1.68	24.52	13.04	1242.56
26 Engineering(71)	2463.08	-0.7	2479.95	2497.79	2493.04	1905.03	3.11	2.46	16.34	28.63	1492.02
27 Engineering, Vehicles(13)	3065.23	+2.7	2984.94	3023.87	3018.06	2256.94	3.48	1.92	18.71	48.83	1589.34
28 Paper, Pckg & Printing(28)	2785.15	+0.2	2779.75	2792.13	2790.93	2937.13	3.66	2.02	16.83	41.62	1159.94
29 Textiles & Apparel(19)	1427.73	-0.2	1430.38	1444.77	1445.93	1619.53	4.85	1.53	16.48	28.70	872.92
30 CONSUMER GOODS(90)	3463.69	-0.7	3489.01	3539.43	3561.37	3060.81	4.04	1.85	16.72	71.72	1282.98
32 Alcoholic Beverages(9)	2803.30	....	2803.31	2821.12	2850.53	2753.52	4.43	1.63	17.32	58.02	1012.70
33 Food Producers(23)	2485.14	+0.1	2482.42	2499.92	2497.26	2435.52	4.16	1.82	16.46	55.04	1126.51
34 Household Goods(15)	2705.09	+0.4	2693.33	2699.76	2735.11	2568.25	3.67	2.41	14.13	51.26	1036.02
36 Health Care(20)	2049.29	-0.2	2052.65	2048.57	2063.20	1752.40	2.59	1.88	25.72	27.85	1247.54
37 Pharmaceuticals(12)	4840.03	-1.2	4898.83	5044.89	5073.15	3803.39	3.52	1.86	19.07	81.77	1643.84
38 Tobacco(1)	4193.09	-2.1	4282.03	4235.44	4290.50	4051.04	6.06	2.00	10.32	156.18	1053.27
40 SERVICES(253)	2494.08	....	2493.47	2510.51	2528.12	1986.61	2.82	2.04	21.69	32.56	1295.75
41 Distributors(32)	2940.89	-0.4	2952.82	2972.63	2983.38	2462.18	2.85	1.78	24.69	36.69	1084.83
42 Leisure & Hotels(23)	3207.71	+0.2	3201.51	3234.08	3243.80	2262.11	2.74	1.95	23.36	141.77	1727.45
43 Media(46)	4192.30	+0.3	4180.64	4235.14	4252.54	2931.12	2.12	1.95	30.19	46.46	1518.33
44 Retailers, Food(15)	1903.85	+0.1	1902.28	1920.04	1947.30	1803.36	3.93	2.41	13.22	19.54	1204.21
45 Retailers, General(43)	2037.99	-0.3	2043.92	2046.60	2075.98	1665.10	2.96	2.20	19.14	19.18	1160.13
47 Breweries, Pubs & Rest.(24)	3130.73	-0.3	3139.94	3155.50	3172.18	2329.23	3.10	2.08	19.08	16.79	1493.35
48 Support Services(49)	2348.43	+0.1	2346.31	2343.82	2347.04	1565.98	1.95	2.45	26.16	23.00	1493.19
49 Transport(21)	2430.29	+0.3	2422.06	2435.18	2437.88	2246.23	3.57	1.40	24.99	28.66	1010.07
60 UTILITIES(33)	2467.89	-1.1	2496.31	2538.33	2558.85	2328.00	5.03	2.05	12.10	46.63	1046.73
62 Electricity(12)	2886.52	-0.1	2888.67	2836.00	2878.87	2220.28	4.84	2.56	10.08	137.11	1309.36
64 Gas Distribution(2)	1460.37	-5.6	1546.77	1547.63	1583.76	1951.96	8.21	1.36	11.22	94.66	764.67
66 Telecommunications(7)	2012.95	-1.2	2036.76	2127.08	2141.44	2039.47	4.13	1.75	16.99	0.15	911.18
68 Water(12)	2133.56	+0.2	2129.15	2142.26	2148.53	1826.98	5.72	2.59	8.45	8.61	1157.02
69 NON-FINANCIALS(685)	2002.65	-0.5	2012.26	2030.34	2042.92	1726.76	3.75	1.98	17.22	33.68	1518.44
70 FINANCIALS(105)	2859.76	-0.6	2878.33	2854.48	2864.46	2304.58	4.15	2.64	11.42	68.26	1236.58
71 Banks, Retail(8)	3845.04	-0.8	3876.19	3880.94	3901.46	3085.21	4.04	2.90	10.69	107.54	1265.46
72 Banks, Merchant(6)	3540.36	-0.5	3557.28	3595.35	3645.34	3297.95	2.78	2.38	18.84	36.36	1121.52
73 Insurance(23)	1495.89	-1.8	1513.58	1360.62	1361.62	1279.65	5.31	3.15	7.48	37.62	1118.78
74 Life Assurance(6)	3628.70	-0.4	3643.21	3633.30	3651.63	2544.77	4.12	2.22	13.64	100.72	1521.17
77 Other Financial(21)	2661.71	+0.2	2655.31	2685.48	2659.08	1988.95	3.67	1.82	18.72	29.60	1509.82
79 Property(41)	1566.46	+0.9	1552.83	1572.69	1579.98	1369.90	4.03	1.32	23.51	13.54	958.71
80 INVESTMENT TRUSTS(126)	3234.37	-0.1	3238.81	3262.35	3274.83	2740.98	2.15	1.06	55.05	24.17	1127.84
89 FT-SE-A ALL-SHARE(896)	1877.91	-0.5	1887.22	1898.63	1909.39	1600.25	3.76	2.04	16.27	33.17	1587.58
FT-SE-A Fledgling	1243.14	+0.1	1242.36	1244.99	1243.37	966.58	2.76	2.16	20.79	11.86	1297.36
FT-SE-A Fledgling ex Inv Trusts	1251.83	+0.1	1250.80	1252.85	1251.03	980.64	2.98	2.36	17.76	12.82	1306.47

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3744.0	3740.7	3745.8	3746.6	3751.5	3747.1	3741.5	3721.6	3723.0	3755.4	3721.2
FT-SE Mid 250	4518.7	4518.3	4520.1	4524.6	4530.3	4530.1	4529.9	4526.5	4525.8	4530.4	4517.9
FT-SE-A 350	1899.6	1898.2	1900.4	1901.2	1903.6	1901.9	1899.7	1891.5	1892.0	1905.1	1891.4

Time of FT-SE 100 Day's high: 11:34 AM Day's low: 2:59 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2954.2 (23/01/96)

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1233.0	1232.2	1234.4	1235.1	1238.1	1238.3	1238.3	1238.3	1238.0	1238.0	1234.0	+4.0
Pharmaceuticls	4820.4	4817.2	4821.6	4834.6	4834.7	4811.0	4800.9	4772.2	4774.1	4768.5	4828.8	-62.3
Water	2130.4	2130.4	2130.7	2131.3	2131.0	2130.7	2130.5	2125.2	2123.7	2125.4	2120.9	+4.5
Banks, Retail	3912.0	3913.1	3916.2	3917.2	3914.0	3910.4	3906.4	3891.5	3891.7	3894.1	3925.7	-31.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	247	495	
ASDA Group†	4,900	113¾	+¾
Abbey National†	2,400	548	[illegible]
Albert Fisher	2,500	51	
Allied Domecq†	1,100	498	+2
Anglian Water	89	580	+3
Argos†	453	647	+1
Argyll Group†	2,300	328	+5
Arjo Wiggins	1,600	189	+1
Assoc. Brit. Foods†	382	382	-5
Assoc. Brit. Ports	1,400	298	+3
BAA†	3,300	536	+1
BAT Inds.†	4,200	495	-11
BET	12,000	287½	[illegible]
BBA	170	338	[illegible]
BICC	1,200	325	+5
BOC†	409	[illegible]	-4
BP†	4,700	659	-13
BPB Inds.	627	327	
BSkyB†	1,600	454	
BT†	12,000	356	-2½
BTR†	4,500	313	[illegible]
Bank of Scotland†	2,600	236xd	[illegible]
Barclays†	5,400	745	-2
Bass†	746	769	-1
Blue Circle†	1,100	371	+1
Booker	699	359	+4
Boots†	699	621	-1
Britannic	41	735	+7
Brit. Aerospace†	1,200	963	[illegible]
British Airways†	4,800	527	+6
British Biotech	642	3025	+77
British Gas†	7,100	218xd	-4½
British Land	711	422	+7
British Steel†	2,200	183	-2
Bunzl	712	227	
Burmah Castrol†	506	1043	-6
Burton†	405	154½	+¼
Cable & Wire†	4,600	470	-9
Cadbury Schweppes†	1,200	506	-1
Caradon	591	230	+5
Carlton Comms.†	1,000	469	+1
Chubb	178	364	
Coats Viyella	1,400	190	
Comm. Union†	1,200	605	-10
Compass	516	595	-2
Cookson†	1,000	307	-3½
Courtaulds†	418	415	-5
Dalgety	195	390	+2
De La Rue	118	794	-2
Dixons†	2,000	492	[illegible]
East Midland Elec.	1,100	635	+8
Electrocomps	392	365	-4
Eng China Clays	349	288	-1
Enterprise Oil†	358	432	-2
Eurotunnel Units	366	75	+1
FKI	144	172	
Foreign & Col. I.T.†	1,800	162½	-½
Gen. Accident†	1,200	634	-13
General Elect.†	2,700	361½	+1
Glaxo Wellcome†	2,800	779	-21
Glynwed	1,200	368	-1
Granada†	2,300	816	+11
Grand Met.†	4,600	426	-1
GUS†	6,100	688	-8
Greenalls†	706	529	-4
GRE†	7,600	258	-3
GKN†	194	975	+5
Guinness†	4,700	472	+2
HSBC (75p shs)†	1,900	948	-19
Hammerson	8	385	+7
Hanson†	2,600	197½	+½
Harrisons Crosfield	2,100	146	+1
Hays	278	432	-1
Hillsdown	104	182	+3
Hyder	926	721	-4
IMI	2,100	357	-3
ICI†	895	894	-9
Inchcape	255	289	-1
Johnson Matthey	110	606	-7
Kingfisher†	1,700	570	-5
Kwik Save	450	446	+11
Ladbroke†	3,500	192	-1
Land Securities†	744	662	+5
Laporte	111	738	-3
Legal & General†	800	727½	-½
Lloyds Abbey	302	535	-7
Lloyds TSB†	9,000	308½	
LASMO†	695	186	-1
London Elect	1,300	826	+7
Lonrho	714	191½	-1½
Lucas	17,000	233¾	+25¼
MEPC	145	423	-4
MFI	18	177½	-1
Marks & Spencer†	7,100	426	+½
Mercury Asset Man	185	915	+5
Midlands Elect	58,000	433	+10
Morrison (Wm.)	520	171	[illegible]
NFC	697	185	[illegible]
NatWest Bank†	3,100	629	[illegible]
National Grid†	32,000	198½	
National Power†	2,000	509	-4
Next	1,300	540	+3
Northern Elect.	226	894	-1
[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (May 7 / Sch)

BELGIUM/LUXEMBOURG (May 7 / Frs.)

CZECH REP (May 7 / Koruna)

DENMARK (May 7 / Kr)

FINLAND (May 7 / Mks)

FRANCE (May 7 / Frs.)

GERMANY (May 7 / Dm.)

GREECE (May 7 / Drachma)

ITALY (May 7 / Lira)

NETHERLANDS (May 7 / Fls.)

NORWAY (May 7 / Kroner)

POLAND (May 7 / Zloty)

PORTUGAL (May 7 / Escudo)

SPAIN (May 7 / Pts.)

SWEDEN (May 7 / Kronor)

SWITZERLAND (May 7 / Frs.)

TURKEY (May 7 / TK Lira)

PACIFIC

JAPAN (May 7 / Yen)

HONG KONG (May 7 / H.K.$)

INDONESIA (May 7 / Rupiah)

MALAYSIA (May 7 / MYR)

NEW ZEALAND (May 7 / NZ $)

SINGAPORE (May 7 / S$)

AUSTRALIA (May 7 / Aust$)

SOUTH KOREA (May 7 / Won)

TAIWAN (May 7 / TW $)

THAILAND (May 7 / Baht)

NORTH AMERICA

CANADA

TORONTO (May 7 / Can $) 4 pm close

MONTREAL (May 7 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (May 7 / Rand)

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	May 7	May 6	May 3	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	17285.95	17228.39	18191.88	31/1	15628.81	19/3
Australia							
All Ordinaries(1/1/80)	2308.5	2297.2	2290.0	2328.00	28/4	2107.40	11/3
All Mining(1/1/80)	1114.8	1097.8	1089.1	1114.80	7/5	1004.70	16/1
Austria							
Credit Aktien(30/12/84)	382.16	379.81	380.78	387.24	25/4	352.78	2/1
Traded Index(2/1/91)	1110.10	1100.70	1107.82	1131.21	26/4	975.27	2/1
Belgium							
BEL20(1/1/91)	1713.54	1713.11	1710.02	1765.71	7/3	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	51590.0	51015.0	54198.00	2/2	43801.00	2/1
Canada							
Metals Minls♦(1975)	(u)	5571.32	5516.32	5571.32	6/5	4087.47	16/1
Composite♦(1975)	(u)	5140.10	5124.50	5152.40	29/4	4739.78	15/1
PortfolioSS(4/1/83)	(u)	2491.26	2480.34	2491.26	29/4	2227.30	12/1
Chile							
IGPA Gen¶(31/12/80)	(u)	5528.49	5547.28	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	400.68	399.43	(c)	400.68	7/5	369.40	2/1
Finland							
HEX General(28/12/90)	1954.21	1986.08	1988.34	1988.08	6/5	1691.67	10/1
France							
SBF 250(31/12/90)	1424.30	1427.28	1439.61	1453.88	30/4	1280.70	2/1
CAC 40(31/12/87)	2083.74	2090.42	2115.36	2146.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	877.52	874.65	872.85	882.33	23/4	818.65	2/1
Commerzbank(1/12/53)	2526.40	2517.00	2512.9	2601.80	23/4	2370.20	2/1
DAX‡(30/12/87)	2479.53	2468.91	2457.48	2550.18	23/4	2284.86	2/1
Greece							
Athens SE(31/12/80)	918.22	912.78	913.13	1017.86	4/3	891.00	29/4
Hong Kong							
Hang Seng(31/7/64)	10702.17	10697.54	10734.24	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1979)	(u)	3712.87	3785.51	3889.87	24/4	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	613.84	598.87	608.12	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2518.95	(c)	2505.32	2536.09	1/5	2294.61	2/1
Italy							
Banca Comm Ital(1972)	660.23	657.00	658.46	668.01	2/5	572.21	23/3
MIB General(2/1/96)	1119.0	1114.00	1117.0	1129.00	2/5	978.00	27/3
Japan							
Nikkei 225(16/5/49)	21495.28	(c)	(c)	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	308.89	(c)	(c)	318.66	29/4	284.48	11/3
Topix(4/1/68)	1670.47	(c)	(c)	1718.88	25/4	1524.32	13/3
2nd Section(4/1/68)	2229.25	(c)	(c)	2263.26	2/5	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1161.94	1164.32	1176.43	1189.54	30/4	983.38	2/1
Mexico							
IPC(Nov 1978)	(u)	3152.68	3146.00	3284.48	19/4	2780.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	616.4	616.4	612.4	616.40	6/5	538.50	2/1
CBS All Shr(End 83)	370.3	370.3	368.4	378.30	2/5	326.70	2/1
New Zealand							
Cap. 40(1/7/86)	2109.73	2109.68	2139.92	2203.06	4/1	2044.71	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1418.57	1418.37	1429.38	1444.72	29/4	1259.08	30/1
Philippines							
Manila Comp(2/1/85)	3014.27	(c)	2975.56	3018.83	16/4	2578.97	2/1
Portugal							
BVL 30(4/1/88)	1851.40	1850.15	1846.55	1851.40	7/5	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	580.05	581.21	583.28	610.37	5/2	553.89	2/1
South Africa							
JSE Gold(28/9/78)	1956.0	1933.7†	1983.3	1983.30	3/5	1348.40	2/1
JSE Ind.(28/9/78)	8143.3	8127.3†	8204.6	8239.30	25/1	8008.40	2/1
South Korea							
KoreaCmpEx**(4/1/80)	986.85	974.13	965.67	986.85	7/5	836.07	13/3
Spain							
Madrid SE(30/12/85)	354.54	356.53	356.43	361.78	26/4	323.75	11/1
Sweden							
AffarsvardnGen(1/2/37)	1954.4	1966.8	1959.3	1988.80	6/5	1786.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1728.12	1731.83	1740.86	1779.54	26/4	1518.10	17/1
SBC General(1/4/87)	1228.05	1230.14	1234.75	1250.88	26/4	1114.47	25/1
Taiwan							
WeightedPr.**(30/6/66)	6025.19	6086.37	6131.45	6182.70	29/4	4598.22	6/2
Thailand							
Bangkok SET(30/4/75)	1318.20	(c)	1318.59	1418.04	6/2	1247.79	13/3
Turkey							
Istanbul Comp.(Jan 1986)	65555.9	65523.0	66445.2	72008.80	8/4	36779.38	2/1
WORLD							
MS Capital Intl(1/1/70)	763.3*	765.8	766.3	779.40	29/4	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1655.25	(c)	1658.01	1682.67	26/4	1504.40	11/1
Euro Top-100(26/6/90)	1431.72	1437.14	1435.46	1458.28	26/4	1333.01	11/1
HSBC JC Drgn(31/12/88)	(u)	375.91	378.29	383.16	16/4	344.19	2/1
ING Bmgs Emrg(7/1/92)	(u)	160.99	162.31	163.65	22/4	147.96	2/1

** Sat May 4 : Taiwan Weighted Price 6086.37; Korea Comp Ex 984.65. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: May 7 - 2476.79 +3.27.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
May	2088.0	2070.0	-8.0	2092.0	2068.0	16,859	31,732
Jun	2086.5	2049.5	-9.0	2069.0	2047.0	2,115	29,341
DAX							
Jun	2472.5	2475.5	+0.5	23484.0	2467.0	13,787	–
Sep	2493.0	2495.0	+4.5	2500.0	2490.0	25	–
OMX							
Apr	–	1518.00	–	–	–	–	–
May	–	1510.50	–	–	–	–	–
SOFFEX							
May	3592.0	3574.9	-3.1	3594.0	3570.0	5,748	20,928
Jul	3573.0	2554.5	+4.5	3573.0	3573.0	23	2,372
S&P 500							
Jun	642.95	641.65	-1.25	644.45	641.65	83,411	184,213
Sep	648.35	647.25	-1.10	648.80	647.20	1,236	9,590
Nikkei 225							
Jun	21580.0	21530.0	-110.0	21580.0	21450.0	18,927	285,388
Sep	21650.0	21590.0	-60.0	21650.0	21580.0	278	15,600

Open interest figures for previous day.

US INDICES

Dow Jones	May 6	May 3	May 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5464.31	5478.03	5498.27	5569.74 (3/4)	5032.94 (10/1)	5569.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	101.39	101.57	101.79	106.88 (14/2)	101.39 (6/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2171.60	2179.88	2192.79	2221.06 (18/4)	1882.71 (18/1)	2221.06 (18/4/96)	12.32 (8/7/32)
Utilities	205.84	206.58	207.50	224.08 (12/2)	205.58 (3/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5500.07 (5555.71) Low 5423.12 (5439.74) (Theoretical♦)
Day's high 5529.07 (5327.17) Low 5387.86 (5458.17) (Actual♦)

Standard and Poors	May 6	May 3	May 2	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	640.81	641.63	643.38	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	764.14	764.41	768.04	777.84 (1/5)	702.07 (15/1)	777.84 (1/5/96)	3.62 (21/6/32)
Financial	62.71	63.27	63.80	68.88 (5/3)	58.67 (10/1)	68.88 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	344.74	345.40	346.21	361.92 (4/4)	321.41 (10/1)	361.92 (4/4/96)	4.46 (25/4/42)
Amex Mkt Val	589.10	588.68	589.97	598.78 (1/5)	529.05 (18/1)	598.78 (1/5/96)	29.31 (9/12/72)
NASDAQ Comp	1186.31	1184.60	1178.33	1190.86 (1/5)	988.57 (15/1)	1190.86 (1/5/96)	54.87 (31/10/72)

RATIOS

	May 3	Apr 26	Apr 19	Year ago
Dow Jones Ind. Div. Yield	2.21	2.17	2.17	2.82
	May 1	Apr 24	Apr 17	Year ago
S & P Ind. Div. yield	1.86	1.87	1.90	2.22
S & P Ind. P/E ratio	21.60	21.43	21.13	18.70

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Zenith	14,574,400	22⅞	+7⅛
Fed Nat Mtg	7,115,100	28	-1
merck	6,624,300	57	-1⅛
Bay Networks	4,139,700	34⅝	+2
Micron	4,087,500	[illegible]	[illegible]
Unisys	3,391,500	[illegible]	[illegible]
IBM	2,910,800	[illegible]	[illegible]
AT&T	2,675,700	[illegible]	[illegible]
Toys R Us	2,495,300	[illegible]	[illegible]
Telefonos	2,494,200	[illegible]	[illegible]

TRADING ACTIVITY

Volume (million)	May 6	May 3	May 2
New York SE	375.656	429.918	441.051
Amex	29.614	31.662	32.690
NASDAQ	692.787	719.825	661.805
NYSE			
Issues Traded	3,116	3,110	3,143
Rises	1,026	1,074	530
Falls	1,276	1,172	1,983
Unchanged	805	864	630
New Highs	65	75	81
New Lows	21	17	31

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Tuesday, May 7, 1996

	Stocks Traded	Closing Prices	Change on day
Janome Sewing	9.0m	565	+47
Yamatane Corp	8.9m	999	+78
Sumitomo Mtl Ind	6.5m	331	+5
Ga-Jo-En Kanko	6.2m	315	+42
Kawasaki Steel	6.0m	383	+6
Gun-Ei Chem Ind	5.9m	656	-3
Teikoku Tsushin	5.5m	651	+59
Nagasakiya	5.3m	685	+60
Nippon Stl Corp	4.4m	370	+1
Tomen Corp	4.3m	410	-17

4 pm close May 7

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22⅛	16⅛	AAR	0.48	2.3	23	1184	21⅛	20¾	21	+⅜
46⅛	36⅜	AMP x	1.00	2.3	21	3067	43⅜	42½	43⅛	+½
94	68	AMR			22	4582	89⅛	88¼	88⅝	-⅛
50½	37⅜	ASA	1.80	3.9	30	1209	46⅝	46	46¼	
44¾	38⅛	AbbtL	0.96	2.4	17	12092	39⅞	39¼	39½	-⅛
17¼	13⅜	Abitibi Pr	0.40	2.8	7	1633	14⅝	14⅛	14¼	-¼
35⅛	27	ABM Ind	0.70	2.0	18	61	34⅞	34¼	34⅞	+½
16	13⅞	Acpincelo			56	89	u16	15¾	15⅞	
50⅜	37¾	ACE Ltd	0.56	1.3	10	590	42½	41¾	41¾	-1
9⅞	9⅛	ACM Gvt In	0.90	9.2	8	98	9¾	9⅝	9¾	+⅛
7⅞	6¾	ACM GvOpp	0.57	8.3		254	6⅞	d6¾	6⅞	+⅛
7¼	6¼	ACM Gvt Sp	0.68	10.4		552	6½	6⅜	6⅜	
9⅛	8¼	ACM Gvt Se	0.90	10.4		1204	8¾	8½	8⅝	-⅛
9½	8⅞	ACM Man	0.90	10.0		583	9⅛	9	9	
30¾	16½	AcmeCly x	0.52	1.7	7	243	30¼	30⅛	30⅛	
13⅞	8⅛	Acme Elect			54	141	10¼	9½	9⅞	
32½	27¼	Acordia	0.72	2.2	19	468	d32½	32¼	32¼	-¼
21	12	Acuson			90	2085	20⅜	19⅞	19⅞	-½
19½	18⅜	Adams Expr	1.66	8.9	0	79	18⅞	18¾	18¾	-⅛
21¼	16⅛	AdvMic			8	4896	19⅜	19	19	-⅜
11⅛	8½	Advest Grp	0.16	1.6	7	140	10¼	10⅛	10¼	
28⅛	9⅛	Advo Inc	0.10	0.9	62	248	11⅜	11	11⅛	+⅛
50⅜	41⅛	Aegon	1.23	2.5	15	51	u50⅜	49¼	49⅞	+⅞
5½	3½	Aerflx			10	1587	u5½	5	5½	+⅜
78¾	66⅜	Aetna L x	2.76	4.1	17	6402	67¾	67⅛	67⅛	-⅛
33	28¾	Aflac	0.40	1.3	12	854	30⅛	29½	30	+½
20⅜	17½	AGL Res	1.06	5.9	16	1212	18½	17¾	18	-⅜
26¾	21¼	Ahmanson	0.88	3.9	6	7141	23⅛	22½	22⅞	-¼
58¼	50⅜	AirPrC	1.04	1.8	15	1471	57	56⅝	57	+⅛

Continued on next page

4 pm close May 7

NYSE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close May 7

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.12	78	1996	u39¼	38	39	+⅝
Acclaim E		11	2198	10⅜	10⅛	10¼	+⅛
Acme Mills		8	24	18	17¼	17⅝	-⅛
Acxiom Cp		37	1702	26¾	26⅛	26½	+¼
Adaptech		30	5083	57⅞	56	56¾	-⅛
ADC Tele		42	3968	43¾	42½	42½	-½
Addington		12	148	14	13¾	14	-⅛
AdiaADR	0.16	12	35	28¼	28¼	28¼	
Adobe Sys	0.20	33	41503	42	38½	40¾	+¼
Adv Logic		12	431	7⅝	7⅜	7⅝	+⅜
Adv Polym		15	949	10⅜	9⅞	10	-⅜
AdvTchLab		28	934	32	31	31⅞	+1⅛
Advanta	0.36	18	2072	55	52¾	54⅝	+1⅞
AgnicoEa	0.10	55	1092	u20	19½	20	+⅝
AirExpr	0.20	17	701	u29¼	28¾	28⅞	-⅛
Akzo ADR	1.79	9	307	58⅜	58⅛	58⅛	-⅛
AlexBld	0.88	20	160	25	24½	24½	-½
Allen Org	0.52	12	2	36½	36¼	36½	+½
Allen Fn		13	724	18½	17⅞	17⅞	-⅜
AlldCapII	1.32	16	77	17⅞	17⅛	17⅝	+½
Alld Cap	1.88	11	223	13⅝	13¼	13⅜	

AMEX PRICES

4 pm close May 7

* FINANCIAL TIMES Wednesday May 8 1996

AMERICA

Bears on top on downgrade, fall in bonds

Wall Street

The bears held sway on Wall Street as US shares continued their string of declines in mid-session trading on the heels of similar losses on the bond market, *writes Lisa Bransten in New York.*

At 1pm the Dow Jones Industrial Average was off 41.55 at 5,422.76. The Standard & Poor's 500 fell 3.31 to 637.50 and the American Stock Exchange composite slipped 2.14 to 586.96. NYSE volume was 231m shares.

Technology shares were also modestly lower yesterday, although the declines on the Nasdaq composite were more modest than those of the broader market. In early afternoon trading, the Nasdaq was 3.19 lower at 1,183.12 and the Pacific Stock Exchange technology index was off 0.3 per cent.

Bonds were weaker ahead of a spate of new supply, set to come on to the market this week from yesterday's auction of $19bn in three-year notes and today's sale of $14bn in 10-year notes.

Also weighing on shares was the decision of another Wall Street broking house to recommend a lower exposure to equities. Merrill Lynch, the largest broking house in the US, cut the equity portion of its model portfolio to 40 per cent from 45 per cent. The proportion in cash was raised 5 percentage points to 10 per cent, while bonds remained unchanged at 50 per cent.

Smith Barney made a similar move on Monday and Morgan Stanley lowered the equity portion of its model portfolio last week.

In individual shares, Zenith gave back some of the sharp gain it has made in recent sessions since it announced plans to develop products to connect cable television subscribers to the Internet through set-top boxes. Shares in the company, which had added $16¾ or 273 per cent in the previous six sessions, fell $3⅝ to $19¾. US Robotics, which is developing the cable modem with Zenith, slid $2 to $160½.

Berkshire Hathaway, the investment vehicle of Mr Warren Buffett, rose $1,400 or 4 per cent to $32,500 in the wake of an upbeat annual meeting and in advance of this week's offering of class B shares.

Knight Ridder gave up $2 at $70¼ after the media group confirmed that it planned to sell Knight Ridder Financial, its electronic news unit.

Canada

Toronto put in a positive mid-session performance as inflationary worries and analysts' recommendations spurred interest in gold shares.

The TSE 300 composite index was 16.26 higher by noon at 5,156.40 in hefty volume of 48.1m shares. Nowsco Well Service, the target of two takeover bids, rose 10 cents to C$32.

Morgan rates Mexico

Morgan Stanley has recommended buying Latin American equities on weakness generated by rising US interest rates.

Mr Robert Pelosky, head of Morgan Stanley's Latin America strategy team, said that Latin American markets, especially Mexico and Brazil, might decouple from a weak US equity environment because of "attractive valuation, growth recovery in the second half of 1996 and 1997, declining real interest rates, positive global liquidity and continued investor scepticism".

SAO PAULO edged higher at midsession as investors were encouraged by the likelihood of the Supreme Court lifting an injunction, issued last month, which temporarily suspended voting on social security reforms. The Bovespa index gained 215 at 51,745.

BUENOS AIRES made a muted response to the government's announcement of an April budget deficit totalling 579.3m pesos.

The Merval index was 0.3 higher by midsession at 554.74 as the budget undersecretary said that the shortfall would make IMF targets difficult, but not impossible, to achieve.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-1.66	+4.23	+8.72	+13.41	+9.81	+6.27
Belgium	-0.64	+1.76	+15.42	+5.74	+2.45	-0.86
Denmark	+0.71	+2.24	+17.89	+9.02	+6.01	+2.59
Finland	+1.61	+11.26	+3.72	+10.65	+3.68	+0.35
France	-0.86	+2.18	+10.05	+15.49	+13.04	+9.39
Germany	-2.91	-2.12	+18.14	+7.21	+3.83	+0.46
Ireland	-0.35	+3.75	+26.54	+10.46	+10.79	+7.21
Italy	-0.81	+13.76	+1.89	+11.26	+16.65	+12.89
Netherlands	+0.06	+2.47	+27.62	+12.65	+9.40	+5.87
Norway	-2.09	+6.63	+14.91	+11.87	+11.27	+7.68
Spain	-1.50	+4.11	+27.66	+11.91	+10.00	+6.45
Sweden	+0.19	+4.28	+25.30	+12.95	+13.25	+9.59
Switzerland	-2.31	-0.00	+37.23	+6.90	+4.18	+0.81
UK	-2.03	+0.14	+15.45	+2.72	+2.72	-0.60
EUROPE	-1.57	+1.47	+18.06	+7.90	+6.35	+2.94
Australia	-1.23	+3.71	+11.64	+3.22	+14.26	+10.57
Hong Kong	+0.25	-3.65	+29.26	+6.98	+12.57	+8.94
Japan	-2.06	+1.22	+23.52	+5.53	+7.41	+3.94
Malaysia	+0.29	+2.64	+23.47	+17.27	+23.37	+19.38
New Zealand	-0.31	+0.24	-2.12	-1.45	+6.93	+3.48
Singapore	-1.22	-1.85	+19.25	+6.13	+10.59	+7.02
Canada	-0.63	+2.20	+18.82	+8.81	+12.54	+8.90
USA	-1.73	-2.04	+23.17	+4.32	+7.80	+4.32
Mexico	-2.35	+0.86	+50.29	+15.55	+23.06	+19.10
South Africa	-1.57	+4.75	+20.65	+13.25	-2.87	-6.01
WORLD INDEX	-1.67	-0.12	+21.24	+5.86	+7.73	+4.25

† Based on May 3 1996.

EUROPE

Varied response to shareholder value initiatives

Questions of shareholder value were widely discussed, and occasionally proved significant in share price terms. But for once FRANKFURT seemed inclined to put pragmatism before enthusiasm.

Hoechst's plan to sell its remaining stake of 50 per cent plus one share in its subsidiary SGL Carbon by the end of this year followed a long run-up in both share prices. Hoechst, which said it might have more units to sell, rose initially but eventually eased another 50 pfgs to DM481.

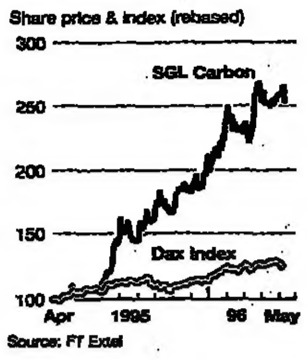
SGL produced a 55 per cent gain in first-quarter profits but the share price, having more than doubled in a year or so, dropped by DM7 or 4.7 per cent to DM141.

Turnover rose from DM5.7bn to a more respectable DM8.1bn. The Dax index gained 3.27 to 2,476.79 at the end of Ibis trading, but Mr Werner Litzinger at B Metzler in Frankfurt said that professionals were wary of the market at present levels.

However, one recent favourite did not disappoint its followers. Fresenius, the medical products group which is currently merging its dialysis business with W.R. Grace's NMC subsidiary in the US, reported a rise of a third in first-quarter net profits. Its preference shares led the Ibis winners' list, rising DM9.50 or 4 per cent to DM248.50.

SGL Carbon

Share price & index (rebased)



Source: FT Extel

PARIS was more enthusiastic about financial engineering. Saint-Gobain said that it had agreed to buy Poliet, the building materials group, from Paribas in a deal which could cost up to FFr15bn; the share prices rose by FFr11 to FFr619, FFr27 to FFr551 and FFr9.30 to FFr313.30 respectively.

The broad market was weak, influenced by lower T-bonds and a mixed Wall Street, and the CAC-40 index extended its slide to four days with a fall of 6.68 to 2,063.74.

Turnover revived, rising from FFr4bn to FFr6.9bn. Crédit Foncier finally reopened, trading at less than half of its pre-suspension level of some nine days ago: FFr33.65 down at FFr29.30.

AMSTERDAM made a new intra-day high, with the AEX index reaching 562.05, but the impact of New York and rising bond yields left the key index down 0.23 at 559.59.

However, Unilever managed to impress with its chairman's comments that the benefits of its European restructuring programme were now showing through. The shares finished Fl 2.60 higher at FL 234.90.

ZURICH turned back from early highs, and the SMI index closed 8.0 off at 3,583.6.

Roche certificates fell SFr40 to SFr9,540 as the company released an upbeat annual report on the outlook for 1996, but analysts expressed some disappointment with the 1995 results at the operating level.

Ciba lost SFr8 to SFr1,362 and Sandoz was SFr10 lower at SFr1,276 on further profit-taking as the companies, untroubled by the EU anti-trust inquiry into their planned merger, announced appointments for more than 300 global management posts at Novartis.

Ares-Serono picked up SFr10 to SFr919. Analysts noted that while its first-quarter profit rose sharply over 1995, it was still far below the 1994 level.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

May 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1669.81	1668.21	1668.55	1668.97	1669.27	1667.75	1668.86	1668.25
FT-SE Eurotrack 200	1712.24	1712.40	1712.81	1713.67	1713.92	1711.39	1706.79	1706.91

	May 3	May 2	May 1	Apr 30	Apr 29
FT-SE Eurotrack 100	1668.01	1681.27	1679.81	1681.09	1685.55
FT-SE Eurotrack 200	1710.18	1725.47	1728.01	1728.15	1731.09

Base value 1000 (26/10/90); High/day: 100 - 1670.15; 200 - 1715.05 Low/day: 100 - 1666.79 200 - 1706.44 † Partial.

MILAN, too, finished off its best. The Comit index rose 3.23 to 660.23, while the real-time Mibtel index turned back from a high of 10,566 to end 47 ahead at 10,504.

Goldman Sachs commented that the prospect of a period of political stability, combined with the expectation of a further decline in inflation, were encouraging for Italian financial markets. It added that its equity strategy team had upgraded the recommended weight in Italy to 6.5 per cent for European portfolios and to 9 per cent for Europe ex-UK portfolios, which was about 200 basis points above the FT-S&P benchmark in both cases.

Among the day's movers, Generali jumped L631 to L39,177 as the insurer announced a one-for-10 scrip issue and a higher 1995 dividend. Olivetti rose L32 to L998.7 as trade unions wrote to the caretaker prime minister asking him to clarify rumours that the company might close its loss-making personal computer business.

STOCKHOLM was pressured by weaker opening prices on Wall Street for Ericsson and Astra, and the Affärsvärlden General index declined 12.4 to 1,954.4.

Analysts noted that a 20 basis-point cut in the key repo rate to 6.70, the tenth downward move by the Riksbank this year, had been widely expected.

Ericsson, due to report first-quarter results today, fell SKr1.5 to SKr142.5, while Astra gave up SKr8 to SKr297.5.

Electrolux, which partially blamed a stronger local currency for a 14 per cent drop in first-quarter profits, shed SKr4 to SKr342.5.

Against the trend, Volvo, which touched SKr165 during the session, ended SKr1 ahead at SKr162.5. Scania, the truck-maker which is due to report first-quarter figures today, was SKr2 firmer at SKr190.

MADRID, too, said an effective 25 basis-point cut in the Bank of Spain's intervention rate had been discounted by the market for some considerable time. The general index fell 1.99 to 354.54.

Utilities mostly followed the trend, the sector falling 0.5 per cent, but Sevillana moved against the majority with a rise of Pta45 to Pta1,115. Analysts thought that a major bank could be trying to build a strategic stake in the group.

WARSAW was the day's star in Eastern Europe. The Wig index climbed 544.2 or 4.3 per cent to 13,114.5, taking its 1996 gain to 73 per cent.

Analysts said that investors were ignoring potential negative signals, such as higher inflation caused by rising food and fuel prices, and were jumping on whatever positive news was coming out about individual companies.

BUDAPEST, meanwhile, registered its third successive new high, although traders said that signs of profit-taking, triggered by high prices, could be also seen as the Bux index ended 32.87 ahead at 2,789.95.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Weak exporters keep Nikkei on downward path

Tokyo

Export-oriented stocks led the way down as the Nikkei lost ground for the fourth consecutive session. Currency uncertainty and concerns over a possible rise in interest rates affected confidence, *writes Emiko Terazono in Tokyo.*

The 225 average ended 167.10 off at 21,495.28 after moving between 21,430.57 and 21,624.30. Technical selling and profit-taking in high-technology issues led the fall, although speculative stocks were traded actively by individuals and dealers.

Volume totalled 450m shares, against 455m. The Topix index of all first section stocks shed 15.33 to 1,670.47 and the Nikkei 300 dipped 2.91 to 308.69. Losers led gainers by 812 to 292, with 135 issues unchanged.

In London the ISE/Nikkei 50 index put on 1.01 at 1,447.23.

The three-day losing streak on Wall Street discouraged investors, as did the rise in US long-term interest rates to the 7 per cent level.

The yen affected export-oriented industries. Electricals and semiconductor related stocks were lower on profit-taking. Hitachi lost Y20 to Y1,100, Toshiba Y3 to Y800 and Omron Y100 to Y2,300. Carmakers were weaker, too, with Toyota Motor down Y30 to Y2,340.

Technical selling hit financials, banks losing additional ground on interest rate speculation. Sumitomo Bank fell Y30 to Y2,140 and Fuji Bank Y30 to Y2,240. Brokers declined, Nomura Securities slipping Y60 to Y2,180 and Nikko Securities Y30 to Y1,260.

Large-capital steels and shipbuilders, said traders, reflected an institutional shift out of large-capital stocks and into medium and small-capital issues. Mitsubishi Heavy Industries lost Y7 to Y922 and NKK fell Y5 to Y383.

Speculative stocks led activity. Janome Sewing Machine, the most active issue of the day, advanced Y47 to Y565 and Sakai Heavy Industries gained Y200 at Y1,440.

In Osaka, the OSE average moved up 183.12 to 23,255.33 in volume of 38.6m shares. Nintendo, the video game maker, rose Y270 to Y8,320 on the announcement of an improved version of its game hardware.

Roundup

Resource stocks went well for the second successive day in SYDNEY. CRA put on 33 cents at A$21.20 and BHP 15 cents at A$19.93, while the All Ordinaries index finished 11.1 higher at 2,308.3, with the mining sector up 17.0 or nearly 1.6 per cent at 1,114.8.

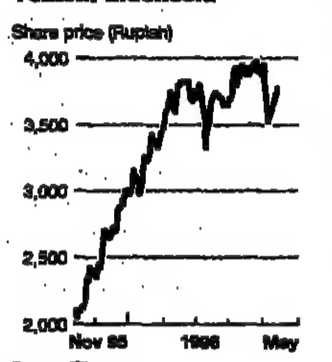
SEOUL closed at a high for the year as investors overlooked most blue chips to focus on mid-cap and individual theme backed stocks. The composite index rose 12.75 to 986.85 in volume of 63.2m shares.

The recently overlooked insurance sector was 5.2 per cent higher on the prospects for strong 1995 earnings. Ssangyong Insurance and Shin Dong Ah Fire each gained Won1,500 to their upper limits of Won26,500 and Won26,600.

JAKARTA climbed 2.4 per cent on a Telkom recovery, and on active buying of secondary issues. Telkom rose Rp250 or 7.1 per cent to Rp3,775 in volume of 7.6m shares, as the JKSE composite index moved ahead 14.17 to 613.84.

Telkom Indonesia

Share price (Rupiah)



Source: FT Extel

But while the telecoms major lifted both broad market sentiment and activity, it was outshone by the second-liner Panasia Indosyntec, which soared Rp125 or 17.9 per cent to Rp825 on its plans to acquire its fellow textiles company, PT Panasia Interfi.

Polysindo traded actively following market talk on Monday of an impending share placing. It rose Rp125 or 7.6 per cent to Rp1,775 in 3.7m dealt.

SINGAPORE was enlivened by speculative demand for hotel stocks, after Marco Polo's announcement that it would redevelop its hotel site into condominium units. News that the developer Kua Phek Long had increased his stake in Ana Hotels Singapore was also supportive.

Ana Hotels jumped 40 cents to S$4, Hind Hotels put on 12 cents at S$1.88 and Hotel Royal rose 10 cents to S$3.90.

The broader market was mixed in lethargic trade and the Straits Times Industrial index finished 4.52 lower at 2,396.16.

HONG KONG was dominated by activity in HK Telecom, which added to Monday's 45-cent jump with another of 40 cents to HK$15.60 in spite of a denial by its parent company, C&W, of talk that it had been approached over a possible sale of a Telecom stake to Hutchison and Chinese interests.

The Hang Seng index gained 4.63 at 10,702.17.

MANILA was lifted by its index heavyweights, merger rumours and a decline in the Philippines inflation rate, helping the composite index to advance by 38.71 to 3,014.27 in moderate turnover. The inflation rate slowed to 11.3 per cent in April from 11.8 per cent in March. The oil refiner Petron rose a net 40 centavos or 4.25 per cent to 9.80 pesos after it went ex a 25 per cent stock dividend.

TAIPEI saw profits taken in the wake of recent failures to break resistance at 6,200. The weighted index fell 61.18 to 6,025.19, turnover shrinking from T$58.4bn to T$50.67bn.

KARACHI was higher on buying of polyester shares by long term investors after the government imposed an additional duty on imports of polyester staple fibre which was likely to boost sales of local fibres.

The KSE-100 index ended 9.67 points ahead at 1,725.28.

S African industrials off highs

Industrial shares in Johannesburg slipped off the day's highs, weighed down by profit-taking, but gold issues ended near their best levels, helped by foreign buying, firm bullion and a recommendation from Morgan Stanley advising investors to increase their exposure to the stocks from zero to 3 per cent. The overall index gained 11.6 at 6,876.2, industrials 16.0 at 8,143.4 and the golds index 22.3 at 1,956.0.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 6 1996								FRIDAY MAY 3 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (80)	209.99	-0.1	206.66	139.11	166.66	175.43	0.0	3.93	210.11	207.34	139.08	166.83	175.38	211.84	162.68	177.43
Austria (25)	184.49	-0.5	181.56	122.22	146.42	146.30	-0.6	1.92	185.47	183.02	122.76	147.27	147.19	199.28	168.11	193.19
Belgium (31)	206.87	-0.2	203.59	137.04	164.18	160.11	-0.2	4.15	207.35	204.62	137.26	164.64	160.51	215.61	186.06	196.58
Brazil (28)	158.22	0.6	155.71	104.81	125.57	288.96	0.6	1.88	157.23	155.16	104.09	124.85	287.16	170.25	123.97	145.60
Canada (99)	162.04	0.2	159.47	107.34	128.60	160.25	0.5	2.36	161.65	159.52	107.01	128.35	159.52	162.75	134.14	136.34
Denmark (30)	296.04	-0.1	291.34	196.11	234.95	237.11	-0.1	1.90	296.24	292.33	196.10	235.22	237.30	305.17	272.15	277.88
Finland (23)	189.58	1.0	186.57	125.59	150.46	191.62	1.3	2.61	187.72	185.24	124.26	149.05	189.14	276.11	171.73	203.21
France (97)	194.57	-0.9	191.48	128.89	154.42	157.43	-0.9	3.04	196.25	193.66	129.91	155.83	158.95	198.39	167.70	184.33
Germany (60)	165.22	0.5	162.60	109.45	131.13	131.13	0.4	1.90	164.47	162.30	108.88	130.59	130.59	174.38	149.49	154.70
Hong Kong (58)	421.37	-0.2	414.69	279.14	334.42	418.49	-0.2	3.38	422.36	416.78	279.59	335.36	419.48	451.19	328.90	328.90
Ireland (16)	274.79	0.3	270.43	182.03	218.09	248.11	0.0	3.35	273.93	270.32	181.34	217.51	248.11	277.20	220.31	226.21
Italy (59)	82.93	-0.3	81.61	54.94	65.82	96.52	-0.7	2.20	83.20	82.10	55.08	66.06	97.16	83.87	67.22	78.22
Japan (481)	160.93	-0.1	158.38	106.61	127.72	106.61	0.0	0.72	161.04	158.92	106.61	127.87	106.61	164.79	137.75	162.24
Malaysia (107)	569.94	-1.6	560.90	377.56	452.33	547.66	-1.6	1.56	579.17	571.53	383.40	459.87	556.31	585.09	425.77	478.09
Mexico (18)	1228.37	-0.4	1208.88	813.74	974.91	10111.05	0.3	1.39	1233.63	1217.36	816.64	979.53	10082.89	1313.61	791.99	1042.85
Netherland (19)	290.78	0.7	286.17	192.63	230.78	226.24	0.7	3.12	288.72	284.91	191.13	229.25	224.76	291.80	237.16	251.26
New Zealand (15)	81.35	-1.3	80.06	53.89	64.57	62.87	-1.4	4.35	82.43	81.34	54.56	65.45	63.75	85.49	76.26	84.31
Norway (33)	246.93	-0.8	243.01	163.58	195.98	219.89	-0.9	2.36	249.04	245.75	164.86	197.74	221.89	255.75	215.04	228.32
Singapore (44)	431.46	-1.0	424.62	285.82	342.43	279.10	-0.9	1.36	435.82	430.07	288.50	346.05	281.72	465.21	355.81	369.24
South Africa (45)	358.69	-1.0	353.00	237.62	284.58	345.35	-0.7	2.04	362.17	357.39	239.75	287.57	347.71	437.76	338.91	359.01
Spain (37)	176.37	0.3	173.57	116.83	139.97	170.09	0.1	3.26	175.85	173.53	116.41	139.63	169.91	179.85	141.19	145.19
Sweden (48)	345.13	0.9	339.66	228.64	273.92	348.45	1.0	2.28	342.02	337.51	226.41	271.57	345.84	352.28	250.83	258.31
Switzerland (38)	236.83	-0.5	233.08	156.89	187.97	182.85	-0.3	1.60	237.91	234.77	157.49	188.90	183.33	252.34	184.11	192.72
Thailand (46)	181.98	0.0	179.09	120.55	144.43	178.38	0.0	1.84	181.92	179.51	120.42	144.44	178.38	193.95	146.74	156.92
United Kingdom (202)	229.78	0.3	226.14	152.22	182.37	226.14	0.0	4.07	229.16	226.14	151.70	181.96	226.14	237.43	208.12	210.96
USA (625)	261.64	-0.2	257.49	173.32	207.65	261.64	-0.2	2.24	262.10	258.66	173.51	208.12	262.10	269.11	212.45	212.82
Americas (770)	239.28	-0.2	235.48	158.51	189.90	201.13	-0.1	2.24	239.66	236.49	158.65	190.29	201.42	245.54	195.09	195.26
Europe (719)	206.95	0.1	203.67	137.10	164.25	183.27	0.0	3.03	206.78	204.05	136.88	164.19	183.33	211.35	181.77	186.46
Nordic (134)	296.52	0.6	291.82	196.43	235.34	263.04	0.7	2.27	294.84	290.95	195.18	234.11	261.25	297.60	241.98	247.69
Pacific Basin (832)	173.51	-0.2	170.76	114.94	137.71	117.93	-0.1	1.14	173.80	171.51	115.05	138.00	118.05	177.01	148.86	169.46
Euro-Pacific (1551)	187.33	-0.1	184.36	124.10	148.68	142.72	-0.1	2.01	187.43	184.95	124.07	148.82	142.82	190.57	166.51	176.44
North America (724)	255.43	-0.2	251.38	169.21	202.73	254.77	-0.2	2.25	255.85	252.47	169.37	203.15	255.16	262.26	207.93	208.08
Europe Ex. UK (517)	189.34	0.0	186.34	125.43	150.27	157.95	-0.1	2.48	189.38	186.88	125.36	150.37	158.04	192.67	163.38	169.82
Pacific Ex. Japan (351)	291.77	-0.8	287.14	193.29	231.57	251.12	-0.5	2.94	293.43	289.56	194.24	232.99	252.45	298.69	242.82	242.82
World Ex. US (1741)	188.37	-0.1	185.38	124.79	149.50	147.11	-0.1	2.02	188.48	185.99	124.77	149.66	147.20	191.55	167.38	176.97
World Ex. UK (2164)	208.73	-0.1	205.42	138.27	165.66	175.45	-0.1	1.92	209.03	206.27	138.37	165.97	175.66	212.60	179.23	185.33
World Ex. Japan (1885)	238.76	-0.1	234.97	158.17	189.49	226.93	-0.1	2.55	239.04	235.89	158.24	189.81	227.25	242.93	201.25	203.02
The World Index (2366)	210.65	-0.1	207.31	139.55	167.19	180.09	-0.1	2.11	210.88	208.10	139.60	167.44	180.29	214.52	181.82	187.59

CONSTITUENT CHANGE 7/5/96: Deletion: BET (UK). Latest prices were unavailable for this edition. Markets closed 6/5/96: Ireland, Japan, Thailand and UK.